Argo Investing in Australia

2010 Annual Report

Directory

Argo Investments Limited
ABN 35 007 519 520

Registered Office and Share Registry
Level 12
19 Grenfell Street, Adelaide,
South Australia 5000
GPO Box 2692, Adelaide,
South Australia 5001
Telephone: (08) 8212 2055
Facsimile: (08) 8212 1658
Email: invest@argoinvestments.com.au
Internet: www.argoinvestments.com.au

Sydney Office
Level 25
259 George Street, Sydney,
New South Wales 2000
GPO Box 4313, Sydney,
New South Wales 2001
Telephone: (02) 8274 4700
Facsimile: (02) 8274 4777

Directors
Christopher L. Harris, Chairman
Robert T. Rich, Deputy Chairman
Robert J. Patterson, Managing Director
Marina S. Darling
Ian R. Johnson
G. Ian Martin

Chief Executive Officer
Jason Beddow

Chief Operating Officer
Brenton R. Aird

Senior Investment Officer
Christopher C. Hall

Chief Financial Officer
Andrew B. Hill

Company Secretary
Timothy C.A. Binks

Auditor
PricewaterhouseCoopers

Meetings

Annual general meeting:-
Adelaide Convention Centre, North Terrace, Adelaide at 10.00 a.m. **25 October, 2010**

Information meetings:-
Melbourne
Melbourne Convention and Exhibition Centre, Room 212, Level 2,
1 Convention Centre Place, South Wharf, Melbourne at 10.00 a.m. **26 October, 2010**

Sydney
PricewaterhouseCoopers, Darling Park Cockle Bay, Tower 2,
201 Sussex Street, Sydney at 10.00 a.m. **27 October, 2010**

Objective

"Argo's objective is to maximise long-term returns to shareholders through a balance of capital and dividend growth from a diversified Australian investment portfolio."

Contents

3 Five year summary

4 Portfolio allocation and 20 largest investments

5 Company profile

6 Shareholder benefits

7 Management succession

8 Directors' Report

28 Auditor's Independence Declaration

29 Corporate Governance Statement

35 Income Statement

36 Statement of Comprehensive Income

37 Statement of Financial Position

38 Statement of Changes in Equity

40 Statement of Cash Flows

41 Notes to the Financial Statements

72 Directors' Declaration

73 Independent Auditor's Report

75 Shareholding details

76 Securities issued since 19 September, 1985

2010 Summary

~ Net operating profit, before realised gains/(losses) on sale of long-term investments, of $142.8 million, compared with $163.4 million last year.

~ Operating earnings per share of 24.2 cents per share, compared with 28.2 cents last year.

~ AIFRS accounting profit, including realised gains/(losses) on sale of long-term investments, of $153.9 million, compared with a loss of $64.4 million restated to a profit of $127.4 million last year.

~ Total portfolio return of 13.9%, compared with negative 16.8% last year.

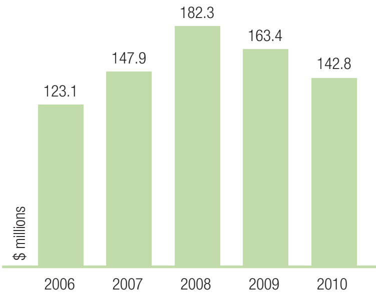
~ Management expense ratio of 0.17% of average assets at market value, compared with 0.19% last year.

~ Dividends of 25 cents per share, fully franked (including LIC capital gain component of 2 cents per share), compared with 27 cents per share last year.

~ Capital raisings of $110.9 million from the Share Purchase Plan and $28.7 million from the Dividend Reinvestment Plan.

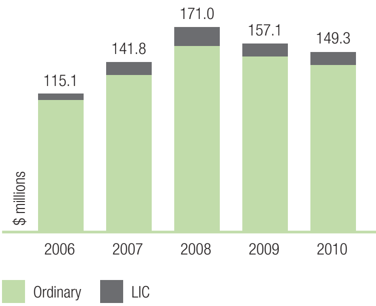
Five year summary

Operating profit

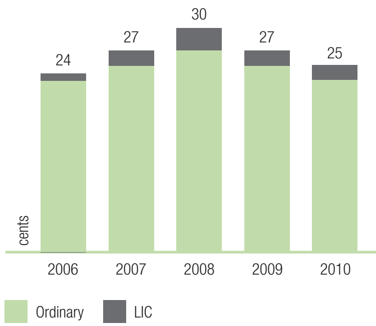


Operating earnings per share

Total dividends

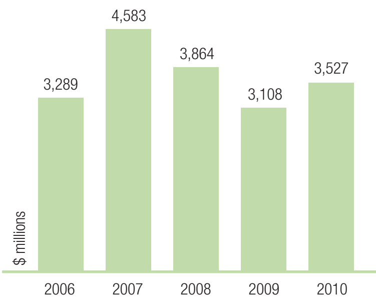


Dividends per share



Shareholders' equity

before provision for deferred income tax

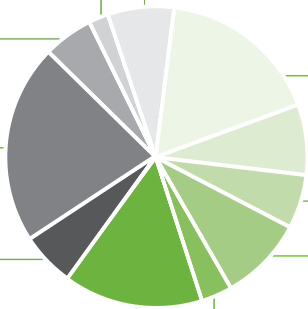


Net tangible assets

per share

Portfolio allocation

as at 30 June, 2010



20 largest investments

as at 30 June, 2010

	$m	% of total assets
BHP Billiton Ltd.	266.1	7.5
Westpac Banking Corporation	183.6	5.2
Rio Tinto Ltd.	159.6	4.5
Macquarie Group Ltd.	132.8	3.7
Wesfarmers Ltd.	132.1	3.7
Milton Corporation Ltd.	124.0	3.5
Australian United Investment Company Ltd.	118.3	3.3
National Australia Bank Ltd.	116.0	3.3
Commonwealth Bank of Australia	114.2	3.2
Woolworths Ltd.	107.7	3.0
Australia and New Zealand Banking Group Ltd.	105.7	3.0
Telstra Corporation Ltd.	104.0	2.9
Origin Energy Ltd.	80.8	2.3
Woodside Petroleum Ltd.	65.6	1.8
QBE Insurance Group Ltd.	59.4	1.7
Orica Ltd.	52.0	1.5
Westfield Group	49.6	1.4
Computershare Ltd.	46.7	1.3
Diversified United Investment Ltd.	42.7	1.2
Santos Ltd.	42.2	1.2
	2,103.1	**59.2**
Cash and term deposits	**232.3**	**6.5**

Company profile

Argo Investments Limited was established in 1946 and is a leading Australian listed investment company with a market capitalisation as at 30 June, 2010 of $3.5 billion.

The shares of a listed investment company offer investors a professionally managed entry to the sharemarket.

Argo is ranked by market capitalisation in the top 100 companies listed on the Australian Securities Exchange (ASX code: ARG).

At 30 June, 2010 Argo had 606.5 million shares on issue.

Argo has 68,000 shareholders who are seeking capital growth and a regular income.

Argo's assets were $3.6 billion as at 30 June, 2010 and are invested predominantly in the shares of companies listed on the Australian Securities Exchange.

Argo has an experienced, knowledgeable and long-serving Board of Directors and management team which are essential prerequisites for the effective surveillance of a long-term investment portfolio. The Board consists of six highly qualified Directors, one of whom is an executive Director. In 64 years of operation, Argo has only had three Chief Executives.

The investment policy followed by Argo is simple. Rather than attempt to gain spectacular rewards in the short term from high-risk situations, the management aim to provide steady and satisfactory returns, secured by a spread of investments over a wide range of the Australian economy. The portfolio contains investments in about 130 companies and trusts representing a cross section of Australia's enterprises, including a number with substantial overseas operations. A long-term investment philosophy is adopted in selecting the portfolio which extends beyond the larger companies to include smaller companies where there is good quality management and prospects for sound earnings growth.

Successful share investment depends on research. Argo's investment team includes the executive management plus a number of specialist research analysts. The research has two objectives: firstly to monitor the core holding of leading stocks and smaller companies; and secondly, to find new, successful investments. The investment goal is to identify well-managed businesses with the potential and ability to generate growing and sustainable profits to fund increasing dividend payments.

Shares in Argo are particularly suitable for new and passive sharemarket investors due to the spread of investments within its portfolio, for those investors who are too busy to monitor their own investment portfolios and for self-managed superannuation funds.

Argo shares can be purchased through any sharebroker and the market price of the shares is reported daily in the press. There is no service fee charged to invest in Argo. Being a securities exchange listed company, only normal sharebrokers' charges apply.

We encourage investors to visit the Argo website at www.argoinvestments.com.au and read our Owner's Manual to obtain further information on the Company's operations.

Shareholder benefits

Low Management Costs

Argo's management costs are extremely low when compared with many other managed investment products. For the year ended 30 June, 2010, total operating costs were 0.17% of average assets at market value.

Franked Dividends

Argo has paid dividends every year since its inception.

Franking credits on dividends received by Argo are passed on to Argo shareholders through dividends paid that are fully or substantially franked, depending on tax credits available to the Company. The franked portion of Argo's dividends are largely tax free for tax-paying Australian shareholders. Certain Australian resident shareholders can also claim a tax benefit where the dividend component is sourced from realised eligible LIC capital gains. Overseas shareholders also benefit, since withholding tax is not deducted from franked dividends.

Share Purchase Plan

Argo has a Share Purchase Plan (SPP) which allows eligible shareholders the opportunity to acquire additional parcels of shares, usually at a discount from the market price as defined by the SPP. No brokerage or other transaction costs are payable. The maximum amount that a shareholder can invest in any 12 month period pursuant to a SPP is $15,000. The Directors decide when the SPP will operate.

Dividend Reinvestment Plan

Argo has a Dividend Reinvestment Plan (DRP) which allows eligible shareholders the opportunity to reinvest their dividends, usually at a discount from the market price of Argo shares as defined by the DRP.

New Share Issues

Argo has a history of making new issues of shares on a pro rata basis to existing shareholders at a discount to the market price. These issues have resulted in an increase in the amount of dividends received by shareholders. In the case of renounceable rights issues, a shareholder who does not wish to apply for additional shares may sell the entitlement.

Share Price Performance

Information produced by JBWere Managed Investment Research reveals the following share price performance, assuming that all dividends and the proceeds from the sale of rights had been reinvested in Argo shares:-

	10 years to 30 June, 2010
$1,000 invested in Argo shares	$2,752
Compound annual growth rate	
Argo shares	10.6% p.a.
S&P ASX All Ordinaries Accumulation Index	7.1% p.a.
Consumer Price Index	3.2% p.a.

Performance statistics for various periods of time are regularly updated on Argo's website.

Management succession

Managing Director

Mr. Robert Patterson will retire as Managing Director at Argo's Annual General Meeting to be held on Monday 25 October, 2010.

He joined the Company as Company Secretary in 1969, became Chief Executive Officer in 1982, appointed an executive Director in 1983 and Managing Director in 1992. When he commenced in 1969, the Company's funds under management were $13 million. At the time of his appointment as Chief Executive Officer, funds under management were $70 million and he has presided over a period which has seen this figure grow to $3.6 billion.

The non-executive Directors acknowledge his significant contribution to the growth of the Company for more than 40 years, during which time a strong increase in shareholder value has been delivered.

Together with the Board, Mr. Patterson has been instrumental in planning and managing the succession to the new leadership team. The Board is confident that Argo's successful track record of delivering long-term returns to shareholders will continue under the highly competent leadership of the Company's new Chief Executive Officer, Mr. Jason Beddow.

Mr. Patterson's extensive experience should not be lost to the Company and for this reason, after a break of about six months, it is the intention that he be invited to rejoin the Board as a non-executive Director.

Chief Executive Officer

On 31 March, 2010, Mr. Jason Beddow was appointed Chief Executive Officer of the Company.

He joined the Company's Sydney office in 2001 as an Investment Analyst, following 2 years as an Equities Research Analyst with Hartley Poynton, stockbrokers and an earlier career in the coal mining industry. Mr. Beddow was appointed an Investment Executive in 2003 and Chief Investment Officer in 2008.

He has a Bachelor of Mining Engineering from the University of New South Wales and a Graduate Diploma of Applied Finance and Investment from FINSIA.

Mr. Beddow is the third Chief Executive in the Company's 64 years and during his 9 years as a member of the Argo team, he has worked closely with the Board and the Managing Director in further developing his skills and applying the Company's successful investment philosophy.

Directors' Report

The Directors present their Sixty Fourth Annual Report together with the financial report of Argo Investments Limited ("the Company") for the financial year ended 30 June, 2010 including the independent Auditor's Report thereon.

Operating and Financial Review

The Company's objective is to maximise long-term returns to shareholders through a balance of capital and dividend growth from a diversified Australian investment portfolio. This is achieved through building a portfolio of long-term investments, currently about 130 stocks, representing a cross section of Australia's enterprises, where there is good quality management and prospects for sound earnings and dividend growth. The policy of only investing in Australian companies, many of which have extensive overseas interests, enables the Company's investment analysts to maintain a strong and close relationship with the companies in which we invest.

A number of key performance indicators are used by the Directors and management in their assessment of the Company's performance, including growth in operating profit, operating earnings per share, dividends paid to shareholders, shareholders' equity, asset backing per share, total portfolio return and control of management costs.

The Company has no debt and has liquid funds on deposit at balance date available for additional long-term investment.

Operating profit for the financial year, after providing for income tax and before net realised gains on the sale of long-term investments, was 12.6% lower at $142.8 million, compared with $163.4 million in the previous financial year. The Company's operating profit relies upon the income received from its diverse Australian investment portfolio and is influenced by the profitability and dividend paying capacity of the investments held. Due to the Company's long-term investment philosophy, the Directors believe that this is the best measure of profitability.

The full-year result, which followed a 23.6% decline in first-half operating profit, was achieved in a difficult economic environment which impacted on company earnings and in turn led to a cautious approach to dividend payments.

However, the Company welcomed a second-half improvement in the receipt of dividend and trust income, which was accompanied by a strong recovery in interest income, reflecting a larger cash balance and higher interest rates in the second half of the year.

The management expense ratio (MER) for the year of 0.17% of average assets at market value was an improvement on the previous year's 0.19%.

Operating earnings per share, excluding net realised gains on the sale of long-term investments, was 24.2 cents, compared with 28.2 cents in the previous year.

The AIFRS accounting result for the year was a profit of $153.9 million and includes net realised gains on the sale of long-term investments to 7 December, 2009 of $11.1 million. The Company adopted Accounting Standard AASB 9 *Financial Instruments* as at 7 December, 2009, being the earliest allowable date of adoption. After that date, realised gains on the sale of long-term investments are accounted for through the capital profits reserve, rather than as part of profit.

To comply with the adoption of Accounting Standard AASB 9, the comparative AIFRS accounting result for the year ended 30 June, 2009 now reflects the reversal of the net unrealised impairment revaluation charge on long-term investments, but only for long-term investments that had not been disposed of prior to 7 December, 2009.This has resulted in last year's comparative figure being restated from an AIFRS accounting loss of $64.4 million to a profit of $127.4 million. Under the previous Accounting Standard AASB 139 *Financial Instruments: Recognition and Measurement*, an impairment charge was required to be booked through the Income Statement where there was objective evidence of impairment, even though no loss had been realised.

As Argo is a long-term investor, the Directors are pleased that these requirements have been removed from the new Accounting Standard AASB 9 and believe that the current standard better reflects the Company's investment objectives.

For the last 10 years, the Company's investment portfolio has produced a compound annual return of 9.5% as measured by the movement in net asset backing per share plus dividends paid. This return is after payment of all administration costs and tax and compares with a return of 7.1% from the S&P ASX All Ordinaries Accumulation Index, which makes no allowance for these items. As a result of the improvement in investment values generally, the total return from the Company's portfolio in the 2010 financial year was 13.9%.The S&P ASX All Ordinaries Accumulation Index rose 13.8% over the same period.

The Company intends to continue its investment activities in future years as it has done in the past. The results of these investment activities depend upon the performance of the stocks in the Company's investment portfolio. Their performance is influenced by many economic factors, including economic growth rates, inflation, interest rates, exchange rates and taxation levels. There are also specific issues such as management competence, capital strength, industry economics and competitive behaviour.

The Company will continue to focus on producing results that accord with its stated objective.

Dividends

A fully franked interim dividend of 12 cents per share was paid on 3 March, 2010.

On 2 August, 2010, the Directors declared a fully franked dividend of 13 cents per share which includes a 2 cents per share listed investment company (LIC) capital gain component. The LIC component of the dividend will give rise to an attributable part of 2.86 cents per share, which will allow eligible shareholders to claim a portion of the attributable part as a deduction in their 2010-2011 income tax returns.

Total fully franked dividends for the year amount to 25 cents per share, including a 2 cents per share LIC capital gain component. This compares with 27 cents per share last year, which included a 2 cents per share LIC capital gain component.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) raised $28.7 million of new capital for investment during the year.

The DRP will operate for the 13 cents per share dividend payment payable on 3 September, 2010 and the Directors have resolved that the shares will be allotted to eligible shareholders participating in the DRP at a discount of 2.5% from the market price of Argo shares, as defined by the DRP.

Share Buy-Back

The Company has an on-market share buy-back in place in order that its shares can be bought back and cancelled where they are able to be purchased at a significant discount to the net tangible asset backing of the Company. Any such purchases have the result of increasing the value of the remaining shares on issue.

During the year, the share buy-back was not activated.

Share Purchase Plan

During the year, shareholders supported the Share Purchase Plan (SPP) on offer and an additional $110.9 million of new capital was raised for investment.

Asset Backing

Reflecting the improved performance in equity markets over the reporting period, the net tangible asset backing per Argo share before providing for deferred capital gains tax on unrealised gains within the investment portfolio was $5.82 as at 30 June, 2010, compared with $5.32 as at 30 June, 2009.

Management Succession

Mr. Jason Beddow was appointed Chief Executive Officer of the Company on 31 March, 2010 and Mr. Robert Patterson will retire as Managing Director on 25 October, 2010.

Additional statutory information

1. (a) The names of the Directors in office at the date of the report are as follows:-

Christopher Lee Harris BEc, FCPA, FAICD
Non-executive Chairman – Independent

Mr. Harris joined the Board of Argo Investments Limited in 1994 and was appointed Chairman in 1998. He is currently a member of the Nomination and Remuneration Committee and the Corporate Governance Committee.

Mr. Harris is also Chairman of Adelaide Brighton Ltd, having been appointed a non-executive Director in 1995.

He was previously a non-executive Director of Simeon Wines Limited from 1994 to 2002 when it merged with McGuigan Simeon Wines Limited which changed its name to Australian Vintage Limited in 2008 and Chairman of EvoGenix Limited from 2004 to 2007 when it merged with Peptech Limited which changed its name to Arana Therapeutics Limited in 2007. Mr. Harris resigned from the Boards of both these companies in 2009.

He has a company management and corporate finance background and is a former Group Managing Director and Chief Executive Officer of F.H. Faulding & Co. Limited.

Robert Tom Rich FCA, FAICD
Non-executive Deputy Chairman – Independent

Mr. Rich joined the Board of Argo Investments Limited in 1992, was an executive Director until 1998 when he became a non-executive Director and was appointed Deputy Chairman. He is currently Chairman of the Audit Committee and a member of the Corporate Governance Committee.

He has a chartered accounting background and was previously the Managing Director of Stoddarts Holdings Limited.

Robert John Patterson FAICD
Managing Director – Non-independent

Mr. Patterson began his career with Argo Investments Limited in 1969 and held the position of Company Secretary from 1969 to 1985. He was appointed Chief Executive in 1982, joined the Board as an executive Director in 1983 and was appointed Managing Director of the Company in 1992.

He has over 40 years experience in the investment industry.

Marina Santini Darling BA(Hons), LLB, FAICD
Non-executive – Independent

Mrs. Darling joined the Board of Argo Investments Limited in 1999 and is currently Chairperson of the Corporate Governance Committee.

She was a non-executive Director of Southern Cross Broadcasting (Australia) Limited from 1999 to 2007.

Mrs. Darling has commercial, legal and corporate advisory experience.

Ian Rutledge Johnson BSc(Hons), FAIMM, FAICD
Non-executive – Independent

Mr. Johnson joined the Board of Argo Investments Limited in 2006 and is currently a member of the Audit Committee and the Nomination and Remuneration Committee.

He has a resource sector background with experience in management and geology. Mr. Johnson is a former Group Executive of CRA Limited and a former Chief Executive and Chairman of Newcrest Mining Limited.

Geoffrey Ian Martin BEc(Hons), FAICD
Non-executive – Independent

Mr. Martin joined the Board of Argo Investments Limited in 2004, is currently Chairman of the Nomination and Remuneration Committee and a member of the Audit Committee.

He was a non-executive Director of GPT Group from 2005 to 2010 and a non-executive Director of Babcock & Brown Limited from 2004 to 2009.

Mr. Martin has a background in economics, investment management and investment banking.

(b) **Directors' relevant interests**

Directors' relevant interests in shares and performance rights, as notified by the Directors to the Australian Securities Exchange in accordance with the Corporations Act 2001, at the date of this report are as follows:-

	Beneficial shares	Non-Beneficial shares	Beneficial performance rights
C.L. Harris	123,411	–	–
R.T. Rich	14,233,438	1,724,986	–
R.J. Patterson	820,166*	–	91,500
M.S. Darling	57,825	–	–
I.R. Johnson	16,808	–	–
G.I. Martin	185,138	–	–

*includes 794,657 shares issued pursuant to the Argo Investments Executive Share Plan

(c) **Board Committees**

At the date of this report, the Company has an Audit Committee, a Nomination and Remuneration Committee and a Corporate Governance Committee of the Board.

There were 12 Directors' meetings, 6 Audit Committee meetings, 6 Nomination and Remuneration Committee meetings and 2 Corporate Governance Committee meetings held during the financial year. The number of meetings attended during the financial year by each of the Directors while in office were:-

	Board		Audit Committee		Nomination & Remuneration Committee		Corporate Governance Committee	
	No. of meetings held while a Director	No. of meetings attended	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended
C.L. Harris	12	11	–	3*	6	5	2	1
R.T. Rich	12	9	6	5	–	1*	2	1
R.J. Patterson	12	12	–	6*	–	6*	–	1*
M.S. Darling	12	12	–	2*	–	1*	2	2
I.R. Johnson	12	12	6	6	6	5	–	1*
G.I. Martin	12	12	6	6	6	6	–	2*

*by invitation

2. Mr. Jason Beddow BEng, GdipAppFin(SecInst) is the Chief Executive Officer at the date of the report.

   Mr. Beddow began his career with Argo Investments Limited in 2001 as an Investment Analyst, was appointed an Investment Executive in 2003, Chief Investment Officer in 2008 and Chief Executive Officer on 31 March, 2010.

   He has an engineering and investment background.

3. Mr. Timothy Campbell Agar Binks BEc, CA is the Company Secretary at the date of the report.

   Mr. Binks joined the Company in 2007 as Assistant Company Secretary and was appointed Company Secretary on 31 March, 2010.

   He has an accounting and investment background.

4. The principal activities of the Company during the financial year were the investment of funds in Australian listed securities and short-term interest bearing securities. No significant change in the nature of these activities occurred during the financial year. No significant change in the state of affairs of the Company occurred during the financial year other than those mentioned in this report.

5. The final dividend paid by the Company for the financial year ended 30 June, 2009 of $75,976,473 (including an LIC capital gain component of $11,688,688) and referred to in the Directors' Report dated 20 August, 2009 was paid on 4 September, 2009.

6. The Directors are not aware of any matter or circumstance that has arisen since the end of the financial year and has significantly affected or may significantly affect the Company's operations, the results of those operations or the Company's state of affairs in future financial years except as stated elsewhere in this report.

7. The Directors do not anticipate any particular developments in the operations of the Company which will affect the results of future financial years other than those mentioned in this report.

8. The Company has paid a premium in respect of a Directors' and Officers' insurance policy covering the liability of past, present or future Directors and Officers, including executive officers of the Company. The terms of the policy prohibit disclosure of the details of the amount of insurance cover and the premium paid.

9. The shareholders in general meeting in November 1999 approved that the Company indemnify its current and future Directors against liabilities arising out of the Directors' position as a Director of the Company, except where the liability arises out of conduct involving a lack of good faith. The deed stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

10. **Remuneration Report**

    The Company is an investor in securities listed in Australia. For the Company to meet its objectives on behalf of its shareholders, it is essential to have professional, competent and highly motivated non-executive Directors, executives and employees.This requires the

Company to have attractive remuneration arrangements which are fair, reflect market conditions and recognise the roles, obligations and responsibilities of respective individuals.

The Company's Nomination and Remuneration Committee reviews and advises the Board on remuneration issues for the non-executive Directors, Managing Director (an executive Director), Chief Executive Officer and executives. A comprehensive review of the Company's remuneration practices was undertaken during the year by independent remuneration consultants to ensure that the Company's remuneration policies and structure are in accordance with the market conditions of the investment industry within which the Company operates.

Non-executive Directors' remuneration

Non-executive Directors are remunerated by fees within the aggregate limit approved by shareholders from time to time. At the Annual General Meeting held in October 2008, shareholders approved $800,000 as the maximum aggregate amount of remuneration available per annum for distribution to non-executive Directors. The Board, after taking into account the recommendations of the Nomination and Remuneration Committee, determines the nature and amount of emoluments of non-executive Directors within the limit approved by shareholders.

Base Directors' fees for the year ended 30 June, 2010 paid to the Chairman ($157,500) and non-executive Directors ($76,125 each), excluding Committee fees and superannuation guarantee payments, were frozen at 2009 levels.

The Chairman currently receives remuneration of $163,800 per year with an additional fee of $2,600 paid for each Committee appointment. The current fee structure for each of the other non-executive Directors is $79,170 per year, with an additional fee of $2,600 paid for each Committee appointment, except that the Chairman of each Committee receives $5,200. Contributions are also made by the Company on behalf of non-executive Directors to external superannuation funds nominated by them in compliance with the relevant legislation.

The Managing Director does not receive Directors' fees.

A performance evaluation process for non-executive Directors is undertaken each year and is described in the Company's Corporate Governance Statement.

The Company has entered into an agreement with each non-executive Director holding office prior to 31 December, 2003 for payment of a retirement benefit upon termination of office, within the limits contemplated by the Corporations Act 2001 and in accordance with principles established by resolution of the shareholders. The agreements were varied as at 31 December, 2003 and entitlements to that date were frozen. As the amounts due for Directors' retiring benefits have been determined, the balances are shown as non-current payables and are disclosed in note 11 to the financial statements.

Managing Director, Chief Executive Officer and executives' remuneration

The remuneration framework to reward the Managing Director, Chief Executive Officer and executives includes a mix of fixed remuneration and short and long-term performance based incentives with the proportions of those elements of the person's remuneration being considered appropriate having regard to industry and commercial practices. The broad remuneration policy is to ensure remuneration packages properly reflect a person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality who are able to create value for shareholders.

(a) **fixed remuneration and benefits**

The terms of employment for all executives contain a fixed remuneration component (inclusive of superannuation) together with certain non-monetary benefits which can include motor vehicle expenses and the benefit of interest free loans pursuant to the discontinued Argo Investments Executive Share Plan. The resultant total remuneration package is determined in line with market factors and independent professional advice is considered.

(b) **short-term performance incentive (STI)**

The Chief Executive Officer and executives are entitled to receive an annual short-term performance incentive bonus of up to 50% of their total remuneration package which is inclusive of superannuation and any agreed salary sacrifice arrangements.

The amount awarded is determined based on the Company's performance and key individual performance indicators. At least 50% are financially based.

The Company's performance indicators include operating earnings per share and total portfolio return relative to peer group, and control of management costs. The indicators are considered an appropriate measure of short-term performance.

The individual performance indicators used are considered to be important drivers of the Company's performance and have been tailored for each individual to take account of their specific role and responsibilities. Where applicable, the assessment of an individual's performance is made by the Board, Nomination and Remuneration Committee, Chairman, Managing Director, Chief Executive Officer or Chief Operating Officer, as the case may be, as it was considered that they were best qualified to provide an objective assessment of the performance of the individual concerned.

The Board considers the short-term performance incentives, including the performance hurdles and the method of assessing performance, are appropriate in a competitive remuneration environment and will assist to retain and attract quality executives who can drive Company performance and shareholder returns.

As the Managing Director is nearing retirement, he was not offered an allocation of 2009 performance rights and is entitled to receive a short-term performance incentive bonus of up to 100% of his total remuneration package which is inclusive of superannuation and any agreed salary sacrifice arrangements. His performance indicators include a significant focus on issues concerning succession, transition, staffing matters and appropriate mentoring.

(c) **long-term performance incentive (LTI)**
Argo Investments Executive Share Plan
Prior to 28 October, 2004, the Managing Director, Chief Executive Officer and executives were provided with longer term incentives through the Argo Investments Executive Share Plan. The shares pursuant to this Plan were issued at the market price on the day of issue with the assistance of an interest free loan from the Company and had regard to the executives' contribution to the Company's performance. The dividends paid on the shares, less an amount equal to the estimated tax payable by the executives on the dividends, are utilised to repay the loan. Although the shares vest in the names of the Managing Director, Chief Executive Officer and executives, the share registry has placed a trading lock on these shares and they cannot be dealt with until the loans have been repaid in full. The holders of these shares are prohibited from engaging in any conduct that seeks to secure the economic value of the shares and that removes the element of price risk inherent to the value of those shares.

No further new allotments have been or will be made under this Plan following the approval of the Argo Investments Limited Executive Performance Rights Plan at the Company's Annual General Meeting held on 28 October, 2004.

Argo Investments Limited Executive Performance Rights Plan
The investment industry provides numerous opportunities for executives to be well remunerated and to accumulate significant equity positions in their employer. In view of this, it is essential that the Company offers competitive remuneration packages which will attract and retain high calibre executives who are able to generate superior returns to shareholders.

The Argo Investments Limited Executive Performance Rights Plan was introduced in 2004 to create a stronger link between increasing long-term shareholder value and executive reward. The Plan allows the Board to grant performance rights to acquire shares in the Company to the Managing Director, Chief Executive Officer and executives to a monetary value of up to 50% of their total remuneration package which is inclusive of superannuation and any agreed salary sacrifice arrangements. It is considered that the performance linked design of this Plan is appropriate in the contemporary business environment.

2004 Performance Rights
Five year performance rights issued in three equal tranches with vesting opportunities occurring in the third, fourth and fifth year were granted by the Company on 25 November, 2004 as remuneration pursuant to the Plan to the Managing Director, Chief Executive Officer and executives and were subject to a performance and service condition. These performance rights lapsed in total on 25 November, 2009 as the performance condition was not achieved.

2007 and 2008 Performance Rights
Three year performance rights, subject to a performance and service condition, were granted by the Company on 29 November, 2007 and 19 November, 2008

as remuneration pursuant to the Plan to the Managing Director, Chief Executive Officer and executives, with no consideration in respect to the granting or vesting of the rights payable by the recipient.

The performance condition provides that pro rata vesting of the performance rights will occur when the Company's Total Portfolio Return (based on net tangible asset backing per share, plus dividends reinvested) outperforms the S&P ASX All Ordinaries Accumulation Index movement over a scale from 0.1% through to 3% for the measurement period.

The rights have vesting opportunities at the end of the third year and the performance condition can be re-measured so that the rights can be re-tested in the fourth and fifth years to the extent that they have not vested. Rights that are not vested after the last measurement date will lapse.

A service condition also applies which makes the performance rights subject to the individual executives remaining in service until the rights vest. However, the Board has discretion to enable performance rights to continue beyond cessation of employment in certain circumstances which could include death and retirement.

2009 Performance Rights

Performance rights issued in three equal tranches, each subject to a performance and service condition, were granted by the Company on 22 April, 2010 (known as 2009 Performance Rights) as remuneration pursuant to the Plan to the Chief Executive Officer and executives, with no consideration in respect to the granting or vesting of the rights payable by the recipient. No 2009 Performance Rights were granted to the Managing Director due to his pending retirement.

The three equal tranches each have a performance condition, the first tranche is known as the TPR tranche of rights and has the Total Portfolio Return (TPR) Performance Condition, the second tranche is known as the ALICA tranche of rights and has the Australian Listed Investment Companies Association (ALICA) Performance Condition and the third tranche is known as the EPS tranche of rights and has the Earnings Per Share (EPS) Performance Condition.

The Company's performance will be measured against these performance conditions on two performance measurement dates. The first performance measurement date is 18 November, 2013 and the second performance measurement date is 18 November, 2014. Any rights which vest as a result of measurement at the first measurement date will not be available for vesting as a result of measurement undertaken on the second performance measurement date. Rights that are not vested after the second performance measurement date lapse.

The TPR Performance Condition is that the TPR Performance of the Company (as calculated by JBWere Managed Investment Research and published monthly) over a performance period must exceed the movement in the S&P ASX All Ordinaries Accumulation Index (Index Movement). If the TPR Performance exceeds the Index Movement by more than 3 percentage points, all of the TPR tranche of rights will vest. If the TPR Performance exceeds the Index Movement by less than 3 percentage points, the TPR tranche of rights will vest pro rata in the proportion the increase bears to the 3 percentage point benchmark. If the TPR Performance does not exceed the Index Movement, none of the TPR tranche of rights will vest.

The ALICA Performance Condition is that the TPR Performance of the Company (as calculated by JBWere Managed Investment Research and published monthly) over a performance period must exceed the movement in the average of the TPR of all the members of the Australian Listed Investment Companies Association (as calculated by JBWere Managed Investment Research and published monthly), excluding the Company (ALICA Movement). If the TPR Performance exceeds the ALICA Movement by more than 3 percentage points, all of the ALICA tranche of rights will vest. If the TPR Performance exceeds the ALICA Movement by less than 3 percentage points, the ALICA tranche of rights will vest pro rata in the proportion the increase bears to the 3 percentage point benchmark. If the TPR Performance does not exceed the ALICA Movement, none of the ALICA tranche of rights will vest.

The EPS Performance Condition is that the EPS Performance of the Company (EPS means a company's non-dilutive operating earnings per share which is measured as the net operating profit of the consolidated entities after minority interests divided by the weighted average number of shares on issue over the performance period and as calculated by the Board on a comparable basis) over a performance period must exceed the average of the EPS performance of all the members of the Australian Listed Investment Companies Association, excluding the Company (ALICA EPS). If the EPS Performance exceeds the ALICA EPS by more than 3 percentage points, all of the EPS tranche of rights will vest. If the EPS Performance exceeds the ALICA EPS by less than 3 percentage points, the EPS tranche of rights will vest pro rata in the proportion the increase bears to the 3 percentage point benchmark. If the EPS Performance does not exceed the ALICA EPS, none of the EPS tranche of rights will vest.

A service condition also applies which makes the performance rights subject to the individual executives remaining in service until the rights vest. However, the Board has discretion to enable performance rights to continue beyond cessation of employment in certain circumstances which could include death and retirement.

2007 Restricted Share Rights

The Directors issued restricted share rights on 29 November, 2007 to certain executives, including the Chief Executive Officer. These restricted share rights were issued in three equal tranches and will vest in three, four and five years, subject to continued service with the Company. The Board has the discretion to allow the restricted share rights to vest in certain other circumstances. No restricted share rights were granted to the Managing Director.

Independent advice and benchmarks

At the time of determining and amending the performance conditions, the Board sought advice from independent remuneration consultants and reviewed independent surveys of the performance of a range of managers of Australian share funds and believed that the selected performance conditions were appropriate for the Company.

The Company generally uses the S&P ASX All Ordinaries Accumulation Index as its benchmark for performance and therefore it is appropriate and consistent that this Index was chosen as the method of assessing the TPR Performance Condition.

The Company is a listed investment company and therefore it is appropriate for the Company's performance to be measured against a benchmark peer group of listed investment companies when assessing the ALICA Performance Condition and the EPS Performance Condition.

It is considered that the re-measuring opportunities minimise the impact of short-term share market volatility. Any performance rights that do not vest at the applicable time of testing, or after re-testing, lapse.

Restrictions

Company policy prohibits executives from entering into transactions or arrangements which limit the economic risk of unvested entitlements under the Executive Performance Rights Plan.

Further details regarding the performance and restricted share rights are disclosed on pages 23 to 25.

Directors

The names of persons who were non-executive Directors of the Company during the financial year are Mr. C.L. Harris (Chairman), Mr. R.T. Rich (Deputy Chairman), Mrs. M.S. Darling, Mr. I.R. Johnson and Mr. G.I. Martin.

Mr. R.J. Patterson (Managing Director) was an executive Director during the financial year.

Executives

The Company has currently five executives for whom disclosures are required by Accounting Standard AASB 124 *Related Party Disclosures* and the Corporations Act 2001, being Mr. R.J. Patterson (Managing Director), Mr. J. Beddow (Chief Executive Officer), Mr. B.R. Aird (Chief Operating Officer), Mr. C.C. Hall (Senior Investment Officer) and from 31 March, 2010 Mr. A.B. Hill (Chief Financial Officer).

Key Management Personnel Remuneration

		Short-term		Post-employment		
				Superannuation		
		Directors' fees $	Committee fees $	Salary sacrifice $	Other[d] $	Total $
Non-executive Directors						
C.L. Harris	**2010**	**127,500**[a]	**5,000**	**30,000**[a]	**14,625**	**177,125**
	2009	83,010[a]	–	74,490[a]	14,175	171,675
R.T. Rich	**2010**	**33,651**[b]	**7,500**	**42,474**[b]	**7,526**	**91,151**
	2009	–[b]	–[b]	83,625[b]	7,526	91,151
M.S. Darling	**2010**	**51,125**[c]	**5,000**	**25,000**[c]	**7,301**	**88,426**
	2009	46,125[c]	2,500	30,000[c]	7,076	85,701
I.R. Johnson	**2010**	**76,125**	**5,000**	**–**	**7,301**	**88,426**
	2009	76,125	2,500	–	7,076	85,701
G.I. Martin	**2010**	**56,125**[c]	**7,500**	**20,000**[c]	**7,526**	**91,151**
	2009	34,125[c]	7,500	42,000[c]	7,526	91,151
Total	**2010**	**344,526**	**30,000**	**117,474**	**44,279**	**536,279**
	2009	239,385	12,500	230,115	43,379	525,379

(a) Base fee totalling $157,500 includes amounts paid in cash and superannuation (2009: $157,500).

(b) Base fee totalling $76,125 includes amounts paid in cash and superannuation (2009: $76,125 – amount paid as superannuation includes $7,500 of Committee fees).

(c) Base fee totalling $76,125 includes amounts paid in cash and superannuation (2009: $76,125).

(d) Superannuation contributions made on behalf of non-executive Directors to satisfy the Company's obligations under the Superannuation Guarantee Charge legislation.

					Post-employment	Other long-term	Share based	
		Short-term						
		Salaries	STI Bonus	Non-monetary benefits	Super-annuation		Rights[j]	Total
		$	$	$	$	$	$	$
Executive Director								
R.J. Patterson	**2010**	**518,893**[a]	**383,250**[d]	**73,425**	**–**	**–**	**(36,341)**	**939,227**
	2009	491,309[a]	165,000[d]	89,748	1,833	–	72,161	820,051
Other Executives								
J. Beddow	**2010**	**368,895**[b]	**110,000**[e]	**3,603**	**18,320**	**–**	**107,940**	**608,758**
	2009	291,538[b]	80,850[e]	5,120	30,000	–	150,455	557,963
B.R. Aird	**2010**	**325,135**[a]	**112,500**[f]	**52,385**	**–**	**–**	**(33,825)**	**456,195**
	2009	223,312[a]	76,050[f]	61,298	50,829	–	37,618	449,107
C.C. Hall	**2010**	**278,515**[c]	**88,150**[g]	**5,184**	**18,127**	**11,245**[i]	**72,427**	**473,648**
	2009	271,146[c]	75,608[g]	4,841	26,520	7,288[i]	128,074	513,477
A.B. Hill (from 31/3/10)	**2010**	**33,982**[a]	**12,013**[h]	**2,751**	**3,300**	**–**	**4,471**	**56,517**
Total	**2010**	**1,525,420**	**705,913**	**137,348**	**39,747**	**11,245**	**114,672**	**2,534,345**
	2009	1,277,305	397,508	161,007	109,182	7,288	388,308	2,340,598

(a) Salaries include the movement in the provision for annual leave and long service leave (where qualification for long service leave has been met and is entitled to be taken).

(b) Salaries include the movement in the provision for annual leave and long service leave (where qualification for long service leave has been met on a pro rata basis).

(c) Salaries include the movement in the provision for annual leave.

(d) The short-term performance incentive of $383,250 was paid $333,250 in cash and $50,000 as an additional superannuation contribution (2009: $165,000 of which $115,000 was paid in cash and $50,000 as an additional superannuation contribution).

(e) The short-term performance incentive of $110,000 was paid $85,000 in cash and $25,000 as an additional superannuation contribution (2009: $80,850 of which $74,170 was paid in cash and $6,680 as an additional superannuation contribution).

(f) The short-term performance incentive of $112,500 was paid in cash (2009: $76,050 of which $26,050 was paid in cash and $50,000 as an additional superannuation contribution).

(g) The short-term performance incentive of $88,150 was paid in cash (2009: $75,608 of which $68,728 was paid in cash and $6,880 as an additional superannuation contribution).

(h) For the period from 31 March, 2010, the short-term performance incentive of $12,013 was paid $11,023 in cash and $990 as an additional superannuation contribution.

(i) Other long-term benefits include the movement in the provision for long service leave where qualification has not been met and therefore not entitled to be taken.

(j) The Accounting Standards require that the expense relating to the long-term incentive instruments be reflected over the performance period, regardless of whether the executive ever receives any actual value from them. If the performance rights lapse, the expense is reversed and the amount previously disclosed for individual executives is also reversed.

The 2004 performance rights lapsed due to the performance condition not being met, with the result that the expense was reversed. The Executive Director and executives received no benefit from these performance rights and the amounts that had been shown in prior years' remuneration disclosures were also reversed.

The fair value of the 2007 and 2008 performance rights granted on 29 November, 2007 and 19 November, 2008 respectively was calculated using the Binomial method and applying the Monte Carlo simulation.

The fair value of the 2007 restricted share rights granted on 29 November, 2007 was calculated using the Binomial method.

The fair value of the 2009 performance rights granted on 22 April, 2010 was calculated by estimating the value of dividends an award recipient would not receive during the performance measurement period and subtracting this amount from the value of the grant date share price, and applying the Monte Carlo simulation. Mr. R.J. Patterson did not receive an allocation of 2009 performance rights.

The value disclosed is the portion of the fair value of the performance rights allocated as an accounting charge to this reporting period.

(k) The Directors' and Officers' liability insurance contract does not specify premiums in respect of individual Directors and Officers and the policy also prohibits disclosure of the premium paid.

Remuneration Performance Percentages

		STI bonus opportunity as % of total remuneration package	Actual STI bonus as % of STI opportunity	% of STI bonus opportunity payment not achieved	Share based remuneration as proportion of remuneration[1]	Total performance related remuneration
R.J. Patterson	**2010**	**100%**	**67.0%**	**33.0%**	**-3.9%**	**36.9%**
	2009	50%	58.2%	41.8%	8.8%	28.9%
J. Beddow	**2010**	**50%**	**62.2%**	**37.8%**	**17.7%**	**35.8%**
	2009	50%	49.0%	51.0%	27.0%	41.5%
B.R. Aird	**2010**	**50%**	**74.4%**	**25.6%**	**-7.4%**	**17.2%**
	2009	50%	52.0%	48.0%	8.4%	25.3%
C.C. Hall	**2010**	**50%**	**58.5%**	**41.5%**	**15.3%**	**33.9%**
	2009	50%	51.0%	49.0%	24.9%	39.7%
A.B. Hill	**2010**	**50%**	**62.0%**	**38.0%**	**7.9%**	**29.2%**

(1) These percentages are based on the Accounting Standard disclosures and reflect the net effect of the various outcomes described in (j) above.

Performance Rights[1]

Granted

	Number	Grant date	Fair value per right at grant date	Earliest vesting date	Expiry date	Value yet to vest Min.[2] $	Value yet to vest Max.[3] $
R.J. Patterson	50,000	29/11/2007	$7.37	29/11/2010	13/12/2012	nil	11,459
	41,500	19/11/2008	$4.75	19/11/2011	3/12/2013	nil	18,302
	91,500					nil	29,761
J. Beddow	17,500	29/11/2007	$7.37	29/11/2010	13/12/2012	nil	3,570
	24,000	19/11/2008	$4.75	19/11/2011	3/12/2013	nil	36,665
	29,100	22/04/2010	$5.74	18/11/2013	2/12/2014	nil	34,303
	70,600					nil	74,538
B.R. Aird	25,000	29/11/2007	$7.37	29/11/2010	13/12/2012	nil	5,729
	21,500	19/11/2008	$4.75	19/11/2011	3/12/2013	nil	36,904
	25,800	22/04/2010	$5.74	18/11/2013	2/12/2014	nil	33,794
	72,300					nil	76,427
C.C. Hall	16,500	29/11/2007	$7.37	29/11/2010	13/12/2012	nil	3,441
	21,500	19/11/2008	$4.75	19/11/2011	3/12/2013	nil	33,952
	26,100	22/04/2010	$5.74	18/11/2013	2/12/2014	nil	31,450
	64,100					nil	68,843

	Number	Grant date	Fair value per right at grant date	Earliest vesting date	Expiry date	Value yet to vest Min.(2) $	Max.(3) $
A.B. Hill(4)	7,000	29/11/2007	$7.37	29/11/2010	13/12/2012	nil	1,508
	9,500	19/11/2008	$4.75	19/11/2011	3/12/2013	nil	15,492
	12,000	22/04/2010	$5.74	18/11/2013	2/12/2014	nil	15,088
	28,500					nil	32,088
Total	**327,000**					**nil**	**281,657**

Lapsed

	Number	Grant date	Fair value per right at grant date	Lapsed date	Number of rights lapsed during the year	Value at lapse date(5) $
R.J. Patterson	127,800	25/11/2004	$4.50	25/11/2009	127,800	123,494
J. Beddow	56,100	25/11/2004	$4.50	25/11/2009	56,100	51,359
B.R. Aird	62,400	25/11/2004	$4.50	25/11/2009	62,400	77,999
C.C. Hall	68,700	25/11/2004	$4.50	25/11/2009	68,700	62,895
Total	**315,000**				**315,000**	**315,747**

(1) The performance rights issued do not have an exercise price and no amount is payable by the recipient.

(2) The minimum value of performance rights yet to vest is $nil as the performance and service conditions may not be met and consequently the performance rights may not vest.

(3) The maximum value of performance rights yet to vest has been determined as the amount of the grant date fair value of the performance rights that is yet to be expensed.

(4) Mr. A.B. Hill became a member of the Company's key management personnel on 31 March, 2010 and his 2004 performance rights lapsed before this date.

(5) The value at lapse date of rights that were granted as part of remuneration and which have lapsed because the performance condition was not satisfied. The value of the rights that lapsed during the year represents the benefit forgone, as disclosed in previous remuneration disclosures for executives, and is calculated at the date the rights lapsed assuming the performance condition had been satisfied.

Restricted Share Rights(1)

	Number	Grant date	Fair value per right at grant date	Earliest vesting date	Expiry date	Value yet to vest Min.(2) $	Value yet to vest Max.(3) $
J. Beddow	25,000	29/11/2007	$7.37	29/11/2010	13/12/2010	nil	22,463
	25,000	29/11/2007	$7.12	29/11/2011	13/12/2011	nil	53,997
	25,000	29/11/2007	$6.88	29/11/2012	13/12/2012	nil	68,838
	75,000					nil	145,298
C.C. Hall	20,000	29/11/2007	$7.37	29/11/2010	13/12/2010	nil	18,375
	20,000	29/11/2007	$7.12	29/11/2011	13/12/2011	nil	44,203
	20,000	29/11/2007	$6.88	29/11/2012	13/12/2012	nil	57,061
	60,000					nil	119,639
Total	**135,000**					**nil**	**264,937**

(1) The restricted share rights issued do not have an exercise price and no amount is payable by the recipient.

(2) The minimum value of restricted share rights yet to vest is $nil as the service condition may not be met and consequently the restricted share rights may not vest.

(3) The maximum value of restricted share rights yet to vest has been determined as the amount of the grant date fair value of the restricted share rights that is yet to be expensed.

No restricted share rights were vested, exercised, forfeited or lapsed during the year.

Service Agreements

Mr. R.J. Patterson (Managing Director) has a service agreement with the Company which commenced on 1 July, 2005 for an initial twelve month period and upon expiration, the agreement automatically extends for further periods of twelve months each. His agreement will terminate on 25 October, 2010 when he retires as Managing Director.

Messrs. J. Beddow (Chief Executive Officer), B.R. Aird (Chief Operating Officer), C.C. Hall (Senior Investment Officer) and A.B. Hill (Chief Financial Officer) have service agreements with the Company which commenced on 31 March, 2010 for an initial fifteen month period and upon expiration, the agreements automatically extend for further periods of twelve months each.

Pursuant to these agreements, remuneration is reviewed annually by the Company (except for Mr. Beddow whose remuneration will initially be reviewed on 25 October, 2010) but there is no obligation to increase it unless the Company sees fit to do so.

The agreements may be immediately terminated by the Company, without prior notice to the abovenamed executives, if they have committed certain breaches or become permanently incapacitated.

The abovementioned executives' employment may be terminated at any time after the initial period by either party giving to the other party written notice of termination (not less than twelve calendar months for Messrs. Patterson and Aird, not less than six calendar months for Messrs. Beddow and Hall and not less than three calendar months for Mr. Hill), or written notice of such other duration as is agreed in writing between the parties.

The Company is entitled at any time after the initial period to terminate the abovementioned executives' employment by paying each respective party a lump sum in lieu of notice being the equivalent to twelve calendar months' total remuneration package for Messrs. Patterson and Aird, six calendar months' total remuneration package for Messrs. Beddow and Hall and three calendar months' total remuneration package for Mr. Hill.

If the Company changes the responsibilities of the abovementioned executives without their consent, they can terminate their agreements by giving not less than three calendar months' prior written notice to the Company.

If the Company commits any serious or persistent breach of any of the provisions of the agreement including failing to materially maintain the salary or other benefits, or where a receiver and manager or a liquidator is appointed, the abovementioned executives may terminate their agreement immediately by giving written notice to the Company.

Unless otherwise stated above, no termination payments are provided for under the service agreements.

Remuneration Policy and Company Performance

In considering the relationship between the Company's remuneration policy, the Company's performance and benefits for shareholders' wealth, the following data can be considered:-

	2010	**2009**	**2008**	**2007**	**2006**
Change in share price between years (adjusted for new issues)	$0.09	-$1.33	-$0.98	$0.94	$1.39
Total portfolio return	13.9%	-16.8%	-15.3%	28.4%	19.1%
	$'000	$'000	$'000	$'000	$'000
Net operating profit before realised gains/(losses) on sale of long-term investments	142,814	163,353	182,292	147,855	123,124
Dividends	149,263	157,058	170,987	141,768	115,088
Total assets	3,561,400	3,127,445	3,909,675	4,616,454	3,306,938

After two years of negative changes in the share price (during which time the Company's share price outperformed the general market trend), it has shown a small positive improvement for the year. This increase did not match the Company's 13.9% increase for the year in the total portfolio return and it would be expected that investors will consider this portfolio performance delivered by the key management personnel when considering trading in the Company's shares.

Total Shareholder Return based on the Company's share price performance and dividends paid for the 10 years ended 30 June, 2010 was 10.6% compounded per annum. Due to the Company's long-term investment philosophy, the Company considers that its remuneration policy should be judged against this investment time frame.

The Company's structured short-term performance incentive bonus and the long-term performance incentive plan were introduced with effect from 1 July, 2004. The Company considers the remuneration structure, including performance related remuneration, is generating the desired outcome for shareholders.

11. **Environmental Regulations**

The Company's operations are not directly affected by environmental regulations.

12. **Rounding of Amounts**

Australian Securities and Investments Commission Class Order 98/100 dated 10 July, 1998 applies to the Company and accordingly amounts have been rounded to the nearest one thousand dollars in accordance with that Class Order, unless otherwise stated.

13. **Non-audit Services**

There were no professional fees for non-audit services paid to PricewaterhouseCoopers during the year ended 30 June, 2010.

The Auditor's Independence Declaration, as required under Section 307C of the Corporations Act 2001, is set out on page 28.

This report is made in accordance with a resolution of the Board of Directors.

On behalf of the Board

C.L. Harris
Chairman

Adelaide
19 August, 2010

PricewaterhouseCoopers

PricewaterhouseCoopers
ABN 52 780 433 757

91 King William Street
ADELAIDE SA 5000
GPO Box 418
ADELAIDE SA 5001
DX 77 Adelaide
Australia
Telephone +61 8 8218 7000
Facsimile +61 8 8218 7999
www.pwc.com/au

Auditor's Independence Declaration

As lead auditor for the audit of Argo Investments Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Argo Investments Limited during the period.

DR Clark
Partner
PricewaterhouseCoopers

Adelaide
19 August, 2010

Liability limited by a scheme approved under Professional Standards Legislation

Corporate Governance Statement

Our experienced Board of Directors and executives are committed to responsible financial and business practices to protect and advance shareholders' interests. Consistent with this aim, Argo Investments Limited ("Company") has followed the 2nd Edition of the ASX Corporate Governance Principles and Recommendations.

The Board has adopted these ASX principles and recommendations, however it believes that these rules and regulations are of limited value unless supported by a foundation of honesty and integrity.

The Company's Code of Conduct, Charters and Policies referred to in this Statement are available on request or can be found in the Corporate Governance section of the Company's website at www.argoinvestments.com.au

Code of Conduct

The reputation of the Company in the business world and broader community is of fundamental importance. Our reputation can only be protected and enhanced by all Directors, executives and employees consistently maintaining the highest standards of honesty and integrity.

The Code of Conduct provides the framework that ensures all Directors, executives and employees of the Company engage in practices necessary to maintain confidence in the Company's integrity.

The Company is committed to its objective of maximising long-term returns to shareholders through a balance of capital and dividend growth from a diversified Australian investment portfolio. We can achieve this objective by striving for professional excellence whilst operating within the framework of behaviour provided by our Code of Conduct.

All Directors, executives and employees are responsible for conducting themselves in accordance with the Code of Conduct. In particular Argo's Directors, executives and employees must behave in a manner consistent with our core values of:

- abiding by the law and complying with any relevant legislation, regulations and accounting practices;
- acting honestly, diligently and with integrity;
- dealing fairly, without prejudice and in the best interests of the Company's shareholders, having regard to the interests of the Company's other stakeholders; and
- complying with Board and Committee Charters, Codes and Policies.

The Board

The Board's primary role is to ensure the long-term prosperity of the Company which is accomplished by:

- setting objectives, goals and strategic direction for management with a view to maximising shareholder value;
- adopting an annual budget and monitoring financial performance;
- ensuring adequate internal controls exist and are appropriately monitored for compliance;
- ensuring business risks are identified and appropriately managed;
- ratifying investment portfolio transactions within the discretions delegated to

management and monitoring the performance of the investment portfolio;

- approving investment portfolio transactions, capital expenditure, capital management and any other matters in excess of discretions delegated to management from time to time;
- overseeing the Company's process for disclosure and communications, including approving the interim and final financial statements and related reports; and other communications to the ASX and shareholders which have not been delegated to management;
- appointing and reviewing the performance of the Managing Director and Chief Executive Officer; and
- ensuring the succession planning for non-executive Directors, Managing Director and Chief Executive Officer is undertaken.

The Board currently comprises the Managing Director and five non-executive, independent Directors. The Board regularly assesses whether each non-executive Director is independent. For the purposes of assessing independence with respect to any commercial arrangements a Director may have with the Company, a materiality threshold of $100,000 per annum is used.

Mr. R.T. Rich is considered independent by the Board notwithstanding the existence of one of the relationships which may affect independence as determined by the ASX Corporate Governance Principles and Recommendations. Mr. Rich joined the Board of the Company in 1992 and was an executive Director until 1998 when he became a non-executive Director, without serving the recommended three year gap between being an executive Director and a non-executive Director. The Board considers that since becoming a non-executive Director, Mr. Rich has consistently exhibited independent judgement and at all times acted in the best interests of shareholders, and as such is deemed an independent Director in accordance with the Company's Board Charter.

It is the policy of the Board that there be a majority of non-executive, independent Directors and that there be a separation of the roles of Chairman and Managing Director. Information about the Directors and Board Committees, as required by the ASX Corporate Governance Principles and Recommendations, is contained in the relevant sections of the Directors' Report.

The composition of the Board is monitored by the Nomination and Remuneration Committee to ensure that the Board has a balance of skill and experience appropriate to the needs of the Company.

Directors (other than the Managing Director) are elected by shareholders and, in accordance with the provisions of the Constitution, no Director holds office for a period longer than three years without standing for re-election by the shareholders.

Each year, the Chairman speaks individually with Directors to review their performance and each Director has the opportunity to raise any particular concerns or issues. In addition, on an annual basis, the Chairman of the Corporate Governance Committee speaks individually with Directors to review the Board Chairman's performance. During these reviews, the Chairman and Directors evaluate the performance of the Board as a whole.

The process addresses all key aspects of the Board's operations. Once completed, the Board Chairman and the Chairman of the Corporate Governance Committee report the findings of the reviews to the Board. Any recommendations for changes to the Board's operations are then developed and their implementation is overseen by the Chairman.

Managing Business Risk

The Board monitors the business risk and guides the affairs of the Company in the discharge of its stewardship responsibilities. Responsibility for managing and progressing the profitable operation and development of the Company, consistent with the directions and standards set by the Board, is delegated to the Managing Director and Chief Executive Officer, who are accountable and report to the Board.

The Board also delegates some of its functions to Board Committees, which are accountable to the Board.

Matters which are not covered by delegations require Board approval. Such matters include the prior approval of investment transactions above delegated levels.

The Board meeting agendas and reports advise the Board of current and forthcoming issues relevant to the Company's operations and performance. In addition to the Board's consideration of the investment portfolio at their regular meetings, there is in each six months a formal Board review of the investment portfolio with the investment and analytical executives of the Company in attendance.

Management has designed and implemented a risk management and internal control system, and the Board has received reports from management as to the effectiveness of this framework in the management of the Company's material business risks.

The procedures involved in the management of material business risks include:

- identification of inherent business risks faced by the Company;
- monitoring of the business environment to identify changes to these risks or identify new risks;
- classification of the possible risk events into either a 'material risk register' or 'secondary risk register' according to potential impact of the events should they occur;
- analysis of the material risk register items as to their likelihood, consequences, existing internal controls and options for further action;
- a management report to the Board at least quarterly regarding the material risk register, the effectiveness of the risk management framework and any relevant events or changes in the internal control or risk environment; and
- an annual review by the Board of the risk management policy and procedures.

In addition, the Chief Executive Officer and Chief Financial Officer have provided assurance to the Board that the declaration made in accordance with s295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material aspects in relation to financial reporting risks.

The risk management policy and procedures can be found in the Corporate Governance section of the Company's website.

Audit Committee

The Audit Committee of the Board, comprising three independent, non-executive Directors, works to defined terms of reference in compliance with its Charter and all the regulatory requirements. The external audit firm partner responsible for the Company audit attends meetings by invitation. The Committee formally reports to the Board after each of its meetings and is chaired by an independent Director who is not Chairman of the Board.

The Committee primarily provides assistance to the Board in fulfilling its responsibilities in relation to the Company's financial reporting, compliance with internal financial controls and the external audit functions. The process for approval of the financial statements involves the sign-offs by various levels of senior management, including the Managing Director and Chief Executive Officer. The Company's external audit is undertaken by PricewaterhouseCoopers and the audit engagement partner is required to be changed at regular intervals.

Derek Clark, a partner of PricewaterhouseCoopers, is the partner responsible for the external audit of the Company for the 2010 financial year.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises three independent non-executive Directors. In accordance with its Charter, it is responsible for the evaluation of the Board to ensure that it comprises individuals who are able to discharge the duties of Directors having regard to complementary skills, experience and qualifications together with high standards of corporate governance.

It also reviews and advises the Board on remuneration arrangements for the non-executive Directors, Managing Director, Chief Executive Officer and executives. The Committee assesses the appropriateness of the nature and amount of remuneration of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from the retention of a high quality Board and executive team.

To assist in achieving these objectives, the Company's remuneration policy links the nature and amount of executive remuneration to the Company's financial and operational performance.

The Company's remuneration policy, performance evaluation process and the details of the remuneration of each Director and executive can be found in the Remuneration Report which forms part of the Directors' Report.

A performance evaluation for the Board, its Committees, individual Directors and executives has been carried out during the reporting period, in accordance with the process disclosed in this Statement and relevant Company policies.

The Company entered into an agreement with each non-executive Director holding office prior to 31 December, 2003 for payment of a retirement benefit upon termination of office which is not superannuation. The agreements were subsequently varied and the entitlements were determined and frozen as at 31 December, 2003.

Corporate Governance Committee
In accordance with its Charter, the Corporate Governance Committee comprises three independent non-executive Directors.

The Board believes the Company engages in sound corporate governance practices which follow the ASX Corporate Governance Principles and Recommendations. The Corporate Governance Committee makes recommendations to the Board where it considers there are opportunities for the further enhancement of its corporate governance procedures.

Shareholdings of Directors, Executives and Employees
Directors are not required to hold a minimum number of shares pursuant to the Company's Constitution. However, their current relevant interests in the Company's shares are shown in the Directors' Report.

The Board has adopted a policy for dealings in the Company's shares by Directors, executives and employees and entities controlled by them. On the basis that they are not in possession of price sensitive confidential information which is not generally available, the policy permits the purchase or sale of shares in the Company in the following periods:-

(a) a period of six weeks commencing on the day following the announcement of the half-yearly results;

(b) a period of six weeks commencing on the day following the announcement of the annual results;

(c) a period of six weeks commencing on the day following the Annual General Meeting; and

(d) at other times when prior consent has been obtained from the Chairman (in the case of dealing by Directors or the Company Secretary), the Deputy Chairman (in the case of dealing by the Chairman) or the Company Secretary (in the case of dealing by executives or employees).

This policy does not preclude Directors, executives and employees or entities controlled by them from taking up or renouncing an entitlement to the Company's shares, from participating in the Company's Share Purchase Plan or from participating in the Company's Dividend Reinvestment Plan.

Conflict of Interest
Directors are required to disclose to the Board details of transactions which may create a conflict of interest.

Directors, executives and employees of the Company are prohibited from dealing in the securities of other companies about which they may gain price sensitive information by virtue of their position in the Company. They must not cause that information to be communicated to another person nor use that information in conflict with the interests of the Company.

No private dealings in a security of another entity may be undertaken by Directors, executives or employees at times when the Company cannot deal, or when it is in the market for that security.

In all conflicting situations, the interests of the Company must take priority over the personal interests of the Directors, executives and employees who must at all times act in accordance with the Company's Code of Conduct.

Indemnities

In accordance with the Company's Constitution and as approved by shareholders, each Director and officer is indemnified to the extent permitted by law.

Directors and officers of the Company are covered by insurance against certain liabilities they may incur in carrying out their duties for the Company.

Each Director has the right to seek independent professional advice at the Company's expense. However, prior approval of the Chairman is required, which is not to be unreasonably withheld.

Disclosure and Shareholder Communication

The Company is committed to providing relevant and timely information to its shareholders and to the broader financial community, in accordance with its obligations under the ASX continuous disclosure regime, the Company's Disclosure Policy and the Company's Communications Policy.

All staff are required to inform the Company Secretary immediately if they become aware of any potentially price sensitive information relating to the Company. The Company Secretary, in consultation with the Board, will consider whether disclosure to the ASX is required in order to comply with ASX continuous disclosure requirements. Any disclosure must be released to the market through the ASX. Following confirmation of receipt from the ASX, the Company will place all information disclosed on its website.

The Company Secretary is primarily responsible for co-ordinating the disclosure of information to the ASX, regulators and shareholders on behalf of the Company, in consultation with the Board and other executives as required.

In addition to the ASX announcements, information is communicated to shareholders through:

- the Annual Report which is distributed to shareholders who request it;
- a letter providing details of the half-yearly and annual results;
- the Owner's Manual;
- the Company's website; and
- other correspondence regarding matters impacting on shareholders as required.

All documents that are released publicly are made available on the Company's website.

Shareholders are also encouraged to participate in the Annual General Meeting held in Adelaide to ensure a high level of accountability and identification with the Company's strategies and goals. Important issues are presented to shareholders as single resolutions.

Shareholder information meetings are also held each year following the Annual General Meeting, in Sydney and Melbourne, providing an informal forum where shareholders are given the opportunity to raise questions and participate in general discussion about the Company.

Income Statement
for the year ended 30 June, 2010

	Note	2010 $'000	2009 $'000
Dividends and distributions	2	143,539	163,431
Interest		7,424	9,568
Other revenue		738	1,067
Total revenue		151,701	174,066
Net gains on trading investments		9,882	6,737
Income from operating activities		161,583	180,803
Administration expenses	3	(6,427)	(5,958)
Operating profit before income tax expense and realised gains/(losses) on sale of long-term investments		155,156	174,845
Income tax expense thereon*	4	(12,342)	(11,492)
Net operating profit before net realised gains/(losses) on sale of long-term investments		142,814	163,353
Realised gains/(losses) on sale of long-term investments before income tax (expense)/benefit		16,142	(28,287)
Income tax (expense)/benefit thereon*	4	(5,065)	6,124
Net realised gains/(losses) on sale of long-term investments		11,077	(22,163)
Unrealised impairment revaluation charge on long-term investments before income tax benefit		–	(19,656)
Income tax benefit thereon*	4	–	5,897
Net unrealised impairment revaluation charge on long-term investments		–	(13,759)
Profit for the year		153,891	127,431
*Total income tax (expense)/benefit		(17,407)	529

	Note	2010 cents	2009 cents
Basic and diluted earnings per share including net realised gains/(losses) on sale of long-term investments	5	26.0	22.0

Information on earnings per share, including net operating profit before net realised gains/(losses) on sale of long-term investments, can be found in note 5.

(To be read in conjunction with the accompanying notes)

Statement of Comprehensive Income

for the year ended 30 June, 2010

	2010 $'000	2009 $'000
Profit for the year	153,891	127,431
Other comprehensive income		
Net revaluation/(devaluation) of long-term investments	197,690	(594,873)
Net realised (gains)/losses on sale of long-term investments transferred to the Income Statement from the investment revaluation reserve	(11,077)	22,163
Net unrealised impairment revaluation charge on long-term investments transferred to the Income Statement from the investment revaluation reserve	–	13,759
Other comprehensive income for the year	186,613	(558,951)
Total comprehensive income for the year	340,504	(431,520)

(To be read in conjunction with the accompanying notes)

Statement of Financial Position

as at 30 June, 2010

	Note	2010 $'000	2009 $'000
CURRENT ASSETS			
Cash and cash equivalents	6(a)	187,270	89,961
Receivables	7	24,628	36,420
Investments	8	–	1,621
Other financial assets	9	45,000	–
Total Current Assets		256,898	128,002
NON-CURRENT ASSETS			
Receivables	7	1,039	2,398
Investments	8	3,302,886	2,996,441
Plant and equipment	10	577	604
Total Non-Current Assets		3,304,502	2,999,443
TOTAL ASSETS		3,561,400	3,127,445
CURRENT LIABILITIES			
Payables	11	2,523	2,355
Current tax liabilities		55	49
Provisions	12	547	479
Total Current Liabilities		3,125	2,883
NON-CURRENT LIABILITIES			
Payables	11	501	501
Deferred tax liabilities	13	329,478	229,361
Provisions	12	186	145
Total Non-Current Liabilities		330,165	230,007
TOTAL LIABILITIES		333,290	232,890
NET ASSETS		3,228,110	2,894,555
SHAREHOLDERS' EQUITY			
Contributed equity	14	2,083,247	1,943,944
Reserves	15	931,131	744,993
Retained profits	16	213,732	205,618
TOTAL SHAREHOLDERS' EQUITY		3,228,110	2,894,555

(To be read in conjunction with the accompanying notes)

Statement of Changes in Equity

for the year ended 30 June, 2010

	Contributed Equity $'000 (note 14)	Reserves $'000 (note 15)	Retained Profits $'000 (note 16)	Total $'000
Balance at 1 July, 2009				
(as reported)	1,943,944	744,993	205,618	2,894,555
Restatement on adoption of AASB 9				
Investment revaluation reserve	–	(191,847)	–	(191,847)
Impairment revaluation charge reserve	–	191,847	–	191,847
Restated balance	1,943,944	744,993	205,618	2,894,555
Profit for the year	–	–	153,891	153,891
Net revaluation of long-term investments	–	197,690	–	197,690
Net realised gains on sale of long-term investments transferred to the Income Statement	–	(11,077)	–	(11,077)
Total comprehensive income for the year	–	186,613	153,891	340,504
Net realised gains on sale of long-term investments transferred to capital profits reserve	–	11,077	(11,077)	–
Transactions with shareholders				
Dividend Reinvestment Plan	28,694	–	–	28,694
Share Purchase Plan	110,873	–	–	110,873
Cost of share issues net of tax	(264)	–	–	(264)
Executive performance rights reserve	–	137	–	137
Dividends paid	–	(11,689)	(134,700)	(146,389)
Total transactions with shareholders	139,303	(11,552)	(134,700)	(6,949)
Balance at 30 June, 2010	2,083,247	931,131	213,732	3,228,110

(To be read in conjunction with the accompanying notes)

Statement of Changes in Equity
(continued)

	Contributed Equity $'000 (note 14)	Reserves $'000 (note 15)	Retained Profits $'000 (note 16)	Total $'000
For the year ended 30 June, 2009				
Balance at 1 July, 2008	1,865,056	1,356,516	197,625	3,419,197
Profit for the year	–	–	127,431	127,431
Net devaluation of long-term investments	–	(594,873)	–	(594,873)
Net realised losses on sale of long-term investments transferred to the Income Statement	–	22,163	–	22,163
Net unrealised impairment revaluation charge on long-term investments transferred to the Income Statement	–	13,759	–	13,759
Total comprehensive income for the year	–	(558,951)	127,431	(431,520)
Net realised losses on sale of long-term investments transferred to capital profits reserve	–	(22,163)	22,163	–
Net unrealised impairment revaluation charge on long-term investments transferred to impairment revaluation charge reserve	–	(13,759)	13,759	–
Transactions with shareholders				
Dividend Reinvestment Plan	34,272	–	–	34,272
Share Purchase Plan	44,857	–	–	44,857
Cost of share issues net of tax	(241)	–	–	(241)
Executive performance rights reserve	–	491	–	491
Dividends paid	–	(17,141)	(155,360)	(172,501)
Total transactions with shareholders	78,888	(16,650)	(155,360)	(93,122)
Balance at 30 June, 2009 (as reported)	1,943,944	744,993	205,618	2,894,555
Restatement on adoption of AASB 9				
Investment revaluation reserve	–	(191,847)	–	(191,847)
Impairment revaluation charge reserve	–	191,847	–	191,847
Restated balance	1,943,944	744,993	205,618	2,894,555

(To be read in conjunction with the accompanying notes)

Statement of Cash Flows

for the year ended 30 June, 2010

	Note	2010 $'000	2009 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends and distributions received		140,218	176,343
Interest received		5,658	10,317
Other receipts		948	856
Payments for trading investments		(17,544)	(20,289)
Proceeds from trading investments		29,046	25,082
Other payments		(5,628)	(5,165)
Income tax refunded/(paid)		5,157	(21,893)
Net operating cash inflows	6(b)	157,855	165,251
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of long-term investments		82,455	56,752
Payments for long-term investments		(91,008)	(266,518)
Payments for other financial assets		(45,000)	–
Executive share scheme repayments		256	308
Payments for fixed assets		(51)	(165)
Net investing cash outflows		(53,348)	(209,623)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues		110,873	44,857
Cost of share issues		(376)	(345)
Dividends paid – net of reinvestment		(117,695)	(138,229)
Net financing cash outflows		(7,198)	(93,717)
Net increase/(decrease) in cash held		97,309	(138,089)
Cash at the beginning of the year		89,961	228,050
Cash at the end of the year	6(a)	187,270	89,961

(To be read in conjunction with the accompanying notes)

Notes to the Financial Statements

for the year ended 30 June, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of these financial statements are set out below. The policies have been consistently applied, unless otherwise stated.

(a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS) and compliance with AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS).

The financial statements are presented in Australian dollars.

These financial statements have been prepared using the conventional historical cost basis except for the fair value accounting of investments detailed in note 1(b)(2) and exchange traded options in note 1(c).

The accounting policies adopted are consistent with those of the previous financial year with the exception of the following:

AASB 101 (revised) *Presentation of Financial Statements*

The Company has applied revised Accounting Standard AASB 101 *Presentation of Financial Statements* for the reporting period. This standard now requires information previously reported in the Statement of Changes in Equity to be presented in a new Statement of Comprehensive Income. The Statement of Comprehensive Income includes profit from the Income Statement and other comprehensive income that includes unrealised gains and losses on revaluation of long-term investments with the associated tax thereon. The changes in this standard have no impact on the Company's net assets or profit.

AASB 8 *Operating Segments*

The Company has adopted Accounting Standard AASB 8 *Operating Segments* from 1 July, 2009. The new standard requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The changes in this standard have no impact on the Company's net assets or profit. The Company's segment reporting is reflected in note 21.

AASB 9 *Financial Instruments*

The Company has elected to adopt Accounting Standard AASB 9 *Financial Instruments* from 7 December, 2009, being the earliest allowable date of adoption. This new standard has been adopted because it includes requirements for the classification and measurement of financial assets which improve and simplify the approach when compared with the requirements of the previous Accounting Standard AASB 139 *Financial Instruments: Recognition and Measurement*.

When adopting this standard, long-term investments held as at 7 December, 2009, which were previously classified as available for sale financial assets, are now designated as long-term investments revalued through other comprehensive income. All gains and losses on long-term investments and tax thereon are presented in other comprehensive income as part of the Statement of Comprehensive Income. Under AASB 9, there is no recycling of the realised gains and losses to the Income Statement as was previously required by AASB 139. There is also no requirement to test the Company's long-term investments for impairment with the result that there is no transfer of unrealised impairment revaluation charge from the investment revaluation reserve to the Income Statement.

The transition provisions of AASB 9 require the standard to be applied retrospectively but it cannot be applied to long-term investments that were disposed of prior to the initial application date, which in the Company's case was 7 December, 2009. Therefore, investments that were sold prior to 7 December, 2009 have been accounted for under the previous standard AASB 139 where realised gains and losses on sales (as well as tax thereon) are included in the Income Statement and then transferred to capital profits reserve. After 7 December, 2009, all realised gains and losses on the sale of long-term investments net of tax are transferred from the investment revaluation reserve to capital profits reserve.

The comparatives have been restated to remove the effect of the impairment provisions of AASB 139, but only for long-term investments that had not been disposed of prior to 7 December, 2009.

The investment revaluation reserve and the unrealised impairment revaluation charge reserve have had their balances restated upon adoption of AASB 9 on 7 December, 2009.

Movements in reserves are reflected in note 15, and note 27 provides information on the effect of changes in adopting AASB 9.

(b) **Investments**

(1) **Classification**

Purchases and sales of investments are recognised on trade-date, being the date the Company commits to purchase or sell the asset.

Current Assets

Investments classified as Current Assets comprise holdings of trading securities and are categorised as financial assets measured at fair value through the profit and loss and included in the Income Statement. Investments are initially recognised at fair value and transaction costs are expensed. An investment is classified in this category if acquired principally for the purpose of selling in the short term.

Non-Current Assets

Investments classified as Non-Current Assets comprise holdings of long-term securities and are revalued at fair value through other comprehensive income. Investments are initially recognised at fair value plus transaction costs.

(2) **Valuation**

Trading securities and long-term securities are continuously carried at fair value using price quotations in an active stock market.

Securities which are not listed on a securities exchange are valued using appropriate valuation techniques as reasonably determined by the Directors.

(3) **Gains and Losses**

Current Assets

Realised gains and losses from the sale of trading securities are included in the Income Statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of the trading securities are included in the Income Statement in the period in which they arise.

Non-Current Assets

Long-term investments are considered to have been sold when contractual rights to the investment expire or contractual rights to receive cash flows have been transferred and substantially all the risk and rewards of ownership have not been retained.

In accordance with the previously adopted AASB 139, the realised gains and losses on the sale of long-term investments were transferred from the investment revaluation reserve and recorded in the Income Statement. The cumulative gain or loss, net of tax, was then transferred from retained profits to the capital profits reserve.

After adopting AASB 9 on 7 December, 2009, the realised gains and losses on the sale of long-term investments, net of tax, are now transferred from the investment revaluation reserve and recorded in the capital profits reserve.

Unrealised gains and losses arising from changes in the fair value of long-term securities are recognised in other comprehensive income and reflected in the investment revaluation reserve.

(c) **Derivative Financial Instruments**

The Company sells Australian Securities Exchange traded options to earn income. Where the Company sells a call option, it is obligated to deliver securities at an agreed price if the holder exercises the option. Where the Company sells a put option, it is obligated to purchase securities at an agreed price if the holder exercises the option.

The premium received for selling options is not brought to account as revenue but is recognised in the Statement of Financial Position as a liability. When the option expires, is exercised or is repurchased from the holder, the premium received is brought to account and is included in net gains on trading investments in the Income Statement.

Any open option positions at balance date are carried at their fair value and unrealised gains and losses are included in the Income Statement.

(d) **Revenue**

Revenue is recognised when the right to receive payment is established.

(e) **Plant and Equipment**

Items of plant, equipment and vehicles are depreciated over their estimated useful lives to the Company using the straight line method of depreciation at rates ranging from 7.5% to 33.3%.

(f) **Income Tax**

The income tax expense is the tax payable on the current year's taxable income based on the company tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax balances attributable to revaluation amounts recognised in other comprehensive income are also recognised in the investment revaluation reserve. The revaluation of investments is net of tax on unrealised capital gains by recognising a deferred tax liability. Where the Company disposes of securities in the investment portfolio, tax is calculated on the net gains made according to the particular parcels allocated to the sale for tax purposes, offset against any capital losses carried forward. The tax recognised in the investment revaluation reserve is then transferred to the capital profits reserve. The associated deferred tax liability is similarly adjusted and transferred to tax payable.

(g) **Employee Entitlements**

Provision is made for benefits accruing to employees in respect of wages, salaries, annual leave and long service leave (based on wage rates expected at the time of settling the liability) when it is probable that settlement will be required and they are capable of being reliably measured.

(h) **Argo Executive Performance Rights Plan**

The share based performance rights and restricted share rights are required to be measured at fair value, and recorded as an expense on a straight line basis over the period between grant date and the expected date that the rights will vest.

(i) **Executive Share Plan Loans**

The interest free loans were issued to executives pursuant to the discontinued Argo Investments Executive Share Plan and are recognised initially at fair value and subsequently measured at amortised cost.

(j) **Receivables**

Receivables include dividends, distributions and securities sold where settlement has not occurred at the end of the reporting period. Amounts are generally received within 30 days of recognition.

(k) **Payables**

Payables include liabilities for goods and services provided to the Company and for securities purchased where settlement has not occurred at the end of the reporting period. Amounts are usually paid within 30 days of recognition.

(l) **Operating Leases**

Payments made under operating leases are accounted for on a straight-line basis over the period of the lease.

(m) **Cash and Cash Equivalents**

For the purposes of the Statement of Cash Flows, cash and cash equivalents include bank deposits held at call, other short-term bank fixed term deposits with maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(n) **Other Financial Assets**

Other financial assets are bank fixed term deposits with maturities from three to six months from date of acquisition.

(o) **Earnings per Share**

Basic earnings per share, including realised gains or losses on sale of long-term investments, is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the period.

Basic operating earnings per share, excluding realised gains or losses on sale of long-term investments, is calculated by dividing operating profit before realised gains or losses on sale of long-term investments by the weighted average number of ordinary shares outstanding during the period.

If applicable, diluted earnings per share adjusts the figures used in determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(p) **Contributed Equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity net of tax.

(q) **Provision for Dividend**

A provision for dividend is only made for any amount of any dividend declared by the Directors on or before the end of the financial year but not distributed at balance date.

(r) **Rounding of Amounts**

Australian Securities and Investments Commission Class Order 98/100 dated 10 July, 1998 applies to the Company and accordingly amounts have been rounded to the nearest one thousand dollars in accordance with that Class Order, unless otherwise stated.

(s) **New Accounting Standards**

The Company voluntarily early adopted AASB 9 *Financial Instruments* with effect from 7 December, 2009. All other inoperative Accounting Standards and interpretations have been assessed and the impact on the Company's financial statements when they become operative is not expected to be material. The Company only intends to adopt the other inoperative Accounting Standards and interpretations at the date at which their adoption becomes mandatory.

(t) **Critical Accounting Estimates and Judgements**

There are no key assumptions or sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

2. DIVIDENDS AND DISTRIBUTIONS

	2010	**2009**
	$'000	$'000
Long-term investments held at the end of the year	142,674	157,697
Long-term investments sold during the year	865	5,697
Trading investments sold during the year	–	37
	143,539	**163,431**

3. ADMINISTRATION EXPENSES

	2010	2009
	$'000	$'000
Employment benefits	4,328	4,173
Depreciation	78	74
Other administration	2,021	1,711
	6,427	**5,958**

4. INCOME TAX EXPENSE

	2010	2009
	$'000	$'000
(a) Reconciliation of income tax expense to prima facie tax payable		
Operating profit before income tax expense and realised gains/(losses) on sale of long-term investments	155,156	174,845
Prima facie tax payable calculated at 30% (2009: 30%)	46,547	52,453
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:-		
Imputation gross-up on dividends received	13,953	18,078
Franking credits on dividends received	(46,511)	(60,260)
Other	(1,451)	1,017
(Over)/Under provision previous year	(196)	204
Income tax expense on operating profit before realised gains/(losses) on sale of long-term investments	12,342	11,492
Realised gains/(losses) on sale of long-term investments	16,142	(28,287)
Prima facie tax payable/(benefit) calculated at 30% (2009: 30%)	4,843	(8,486)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:-		
Difference between accounting and tax cost base for capital gains purposes	222	2,362
Income tax expense/(benefit) on realised gains/(losses) on sale of long-term investments	5,065	(6,124)
Unrealised impairment revaluation charge on long-term investments	–	(19,656)
Prima facie tax benefit calculated at 30% (2009: 30%)	–	(5,897)
Total income tax expense/(benefit)	**17,407**	**(529)**

	2010 $'000	2009 $'000
(b) Income tax expense/(benefit) composition		
Charge for tax payable relating to current year	9,830	5,532
Increase/(Decrease) in deferred tax liabilities	7,773	(368)
(Over)/Under provision previous year	(196)	204
Income tax benefit on unrealised impairment revaluation charge	–	(5,897)
	17,407	**(529)**
(c) Amounts recognised directly in other comprehensive income		
Increase/(Decrease) in deferred tax liabilities	**82,859**	**(242,329)**

5. EARNINGS PER SHARE

	2010	2009
	number '000	number '000
Weighted average number of ordinary shares on issue used in the calculation of earnings per share	590,772	578,753
	$'000	$'000
Basic and diluted earnings per share		
Profit for the year	153,891	127,431
	cents	cents
Basic and diluted earnings per share including net realised gains/(losses) on sale of long-term investments	**26.0**	**22.0**
	$'000	$'000
Basic and diluted operating earnings per share excluding net realised gains/(losses) on sale of long-term investments		
Net operating profit before net realised gains/(losses) on sale of long-term investments	142,814	163,353
	cents	cents
Basic and diluted operating earnings per share excluding net realised gains/(losses) on sale of long-term investments	**24.2**	**28.2**

6. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents includes cash on deposit (4.45% floating interest rate as at 30 June, 2010; 2009: 2.95%) with banks and fixed term deposits (fixed interest rates to maturity between 5.23% and 5.95% as at 30 June, 2010; 2009: 3.30% and 3.63%) with banks, all maturing within three months from date of acquisition.

	2010 $'000	2009 $'000
Bank deposits	**187,270**	**89,961**

(b) Reconciliation of net cash provided by operating activities to profit for the year:-

	2010 $'000	2009 $'000
Profit for the year	153,891	127,431
Net realised (gains)/losses on sale of long-term investments	(11,077)	22,163
Unrealised impairment revaluation charge	–	13,759
Depreciation	78	74
Decrease/(Increase) in current investments	1,621	(1,322)
Charges to provisions	360	521
Increase/(Decrease) in provision for income tax	6	(15,916)
Transfer from provision for deferred income tax	12,262	10,982
(Increase)/Decrease in deferred tax assets	(74)	(11)
Changes in assets and liabilities		
Decrease/(Increase) in other debtors	313	7,904
Increase/(Decrease) in other creditors	475	(334)
Net cash provided by operating activities	**157,855**	**165,251**

(c) Financing Arrangements

Total lines of credit available:-

	2010 $'000	2009 $'000
Bank overdraft	200	200
Amount utilised	–	–
Undrawn facility	**200**	**200**

The bank overdraft is repayable on demand and is subject to a set-off arrangement against a credit account and to an annual review.

(d) Non-cash Financing Activities

Dividends paid totalling $28,693,647 were reinvested in shares under the Company's Dividend Reinvestment Plan (2009: $34,271,504).

7. RECEIVABLES

	2010 $'000	2009 $'000
Current		
Dividends and distributions receivable	21,286	17,967
Interest receivable	1,857	91
Outstanding settlements	–	12,582
Executive share plan loan – Director	1,103	–
Other	382	5,780
	24,628	**36,420**

Receivables are non-interest bearing and unsecured. Outstanding settlements include amounts due from brokers for settlement of security sales and are settled within three days of the transaction date. The executive share plan loan is repaid in accordance with the terms of the plan.

	2010 $'000	2009 $'000
Non-Current		
Executive share plan loans:		
- Director	–	1,255
- Others	1,039	1,143
	1,039	**2,398**

The executive share plan loans are repaid in accordance with the terms of the plan.

8. INVESTMENTS

	2010 $'000	2009 $'000
Current		
Listed securities at fair value	**–**	**1,621**
Non-Current		
Listed securities at fair value	3,297,686	2,991,241
Unlisted securities at fair value	5,200	5,200
	3,302,886	**2,996,441**

The fair value of listed securities is established from the quoted prices (unadjusted) in the active market of the Australian Securities Exchange for identical assets.

The fair value of unlisted securities is not based on observable market data. The Directors have made valuation judgements to determine the fair value of these securities based on the net tangible asset values provided by the responsible entities of the securities. There has been no change in the number or the fair value of these securities during the year.

The fair value of each non-current security (long-term investment) is disclosed in note 28.

There were 91 investment transactions during the financial year. The total brokerage paid on these transactions was $360,573.

9. OTHER FINANCIAL ASSETS

	2010 $'000	2009 $'000
Bank term deposits	**45,000**	–

Other financial assets are fixed term deposits (fixed interest rates to maturity between 5.10% and 5.94% as at 30 June, 2010; 2009: nil) with banks, maturing from three to six months from date of acquisition.

10. PLANT AND EQUIPMENT

	2010 $'000	2009 $'000
Plant, equipment and vehicles at cost	1,008	957
Accumulated depreciation	(431)	(353)
	577	**604**
Reconciliation of Plant and Equipment		
Carrying amount at beginning of year	604	513
Additions	51	165
Depreciation	(78)	(74)
Carrying amount at end of year	**577**	**604**

11. PAYABLES

	2010 $'000	2009 $'000
Current		
Outstanding settlements	1,262	1,569
Other	1,261	786
	2,523	**2,355**

Outstanding settlements include amounts due to brokers for settlement of security purchases and are settled within three days of the transaction date. Other payables are non-interest bearing and unsecured.

	2010	2009
	$'000	$'000
Non-Current		
Directors' retiring allowances	**501**	**501**

Directors' retiring allowances are non-interest bearing and unsecured.

12. PROVISIONS

	2010	2009
	$'000	$'000
Current		
Provision for employee entitlements	**547**	**479**
Non-Current		
Provision for employee entitlements	**186**	**145**

13. DEFERRED TAX LIABILITIES

	2010	2009
	$'000	$'000
Non-Current		
Amounts recognised in profit:-		
Deferred tax liability on realised gains on sale of long-term investments	(5,682)	10,443
Income receivable which is not assessable for tax until receipt	1,863	414
Tax on unrealised income on trading investments	–	25
	(3,819)	10,882
Offset by deferred tax assets:-		
Capital gains losses not utilised	(7,223)	(10,702)
Provisions and payables	(729)	(655)
	(7,952)	(11,357)
	(11,771)	(475)
Amounts recognised directly in other comprehensive income:-		
Deferred tax liability on unrealised gains on long-term investments	341,488	230,077
Amounts recognised directly in equity:-		
Deferred tax asset on cost of share issues	(239)	(241)
	341,249	229,836
Aggregate of deferred tax liabilities	**329,478**	**229,361**

	2010 $'000	2009 $'000
Movements:-		
Balance at beginning of year	229,361	466,844
Charged/(Credited) to Income Statement	7,773	(368)
Charged/(Credited) to other comprehensive income	82,859	(242,329)
Tax effect on revaluation of long-term investments not recognised in other comprehensive income	9,485	5,214
Balance at end of year	**329,478**	**229,361**

14. CONTRIBUTED EQUITY

	30.6.10 No. of shares	30.6.09 No. of shares	30.6.10 $'000	30.6.09 $'000
(a) Issued and fully paid ordinary shares:-				
Opening balance	584,434,409	571,367,683	1,943,944	1,865,056
Dividend reinvestment plan(b)	4,536,226	5,853,847	28,694	34,272
Share purchase plan(c)	17,570,963	7,212,879	110,873	44,857
Cost of share issues net of tax	–	–	(264)	(241)
Closing balance	**606,541,598**	**584,434,409**	**2,083,247**	**1,943,944**

(b) On 4 September, 2009, 2,335,361 shares were allotted at $6.34 per share pursuant to the Dividend Reinvestment Plan in operation for the final dividend paid for the year ended 30 June, 2009.

On 3 March, 2010, 2,200,865 shares were allotted at $6.31 per share pursuant to the Dividend Reinvestment Plan in operation for the interim dividend paid for the year ended 30 June, 2010.

(c) On 14 April, 2010, 17,570,963 shares were allotted at $6.31 per share resulting from the Share Purchase Plan offered to eligible shareholders.

(d) The Company has an on-market share buy-back arrangement in place but it was not activated during the year.

15. RESERVES

	2010	2009
	$'000	$'000
Executive Performance Rights Reserve	1,198	1,061
Investment Revaluation Reserve	680,212	485,820
Impairment Revaluation Charge Reserve	–	(13,759)
Capital Profits Reserve	249,721	271,871
	931,131	**744,993**
Movements in reserves during the year		
Executive Performance Rights Reserve		
Balance at beginning of year	1,061	570
Accrued entitlement for unvested rights	137	491
Balance at end of year	**1,198**	**1,061**
Investment Revaluation Reserve		
Balance at beginning of year	485,820	1,044,771
Revaluation/(Devaluation) of long-term investments	285,614	(843,326)
Provision for tax (expense)/benefit on unrealised gains/(losses) on long-term investments	(87,924)	248,453
Realised (gains)/losses on sale of long-term investments to 7 December, 2009 transferred to Income Statement	(16,142)	28,287
Income tax expense/(benefit) thereon transferred to Income Statement	5,065	(6,124)
Realised losses on sale of long-term investments after 7 December, 2009 transferred to capital profits reserve	10,846	–
Income tax benefit thereon transferred to capital profits reserve	(3,067)	–
Unrealised impairment revaluation charge on long-term investments transferred to Income Statement	–	293,723
Income tax (benefit) thereon transferred to Income Statement	–	(88,117)
Restatement on adoption of AASB 9	–	(191,847)
Balance at end of year	**680,212**	**485,820**
Impairment Revaluation Charge Reserve		
Balance at beginning of year	(13,759)	–
Transfer from retained profits	–	(205,606)
Restatement on adoption of AASB 9	–	191,847
Restated balance	(13,759)	(13,759)
Transfer to capital profits reserve	13,759	–
Balance at end of year	**–**	**(13,759)**

	2010 $'000	2009 $'000
Capital Profits Reserve		
Balance at beginning of year	271,871	311,175
Transfer to provision for dividend	(11,689)	(17,141)
Transfer from retained profits	11,077	(22,163)
Transfer from investment revaluation reserve	(7,779)	–
Transfer from impairment revaluation charge reserve	(13,759)	–
Balance at end of year	**249,721**	**271,871**
Total Reserves	**931,131**	**744,993**

Long-term investments, which were sold between 7 December, 2009 and reporting date, were made in the normal course of the Company's operations as a listed investment company (LIC) or as a result of takeovers. The fair value of the investments sold during this period was $22,635,000. The cumulative loss after tax on these disposals was $7,779,000, which has been transferred from the investment revaluation reserve to the capital profits reserve.

Nature and Purpose of Reserves

Executive Performance Rights Reserve

This reserve contains the fair value of the performance rights and restricted share rights issued to participants, pursuant to the Executive Performance Rights Plan, calculated at grant date and allocated to each reporting period from grant date to vesting date.

Investment Revaluation Reserve

Increments or decrements on the revaluation of long-term investments after provision for deferred capital gains tax are recorded in this reserve.

Impairment Revaluation Charge Reserve

In accordance with the previously adopted AASB 139, the unrealised impairment revaluation charge on long-term investments, net of any tax benefit, was transferred from retained profits and recorded in this reserve.

Capital Profits Reserve

Gains or losses arising from the sale of long-term investments, net of any tax expense or benefit, are recorded in this reserve.

16. RETAINED PROFITS

	2010 $'000	2009 $'000
Balance at beginning of year	205,618	197,625
Dividends paid	(134,700)	(155,360)
Profit for the year	153,891	127,431
Transfer to capital profits reserve	(11,077)	22,163
Transfer to impairment revaluation charge reserve	–	13,759
Balance at end of year	**213,732**	**205,618**

17. CAPITAL MANAGEMENT

The Company's objective in managing capital is to maximise long-term returns to shareholders through a balance of capital and dividend growth from a diversified Australian investment portfolio. This is achieved by the process of providing shareholders with a steady stream of fully franked dividends and enhancement of capital invested, with the goal of paying an increased level of dividends and providing attractive total returns over the long term.

The Company recognises that its capital will fluctuate in accordance with market conditions and in order to maintain or adjust the capital structure, may vary the amount of dividends paid, issue new shares from time to time or buy back its own shares.

The Company's capital consists of its shareholders' equity and the changes to this capital are shown in the Statement of Changes in Equity.

18. DIVIDENDS

	2010 $'000	2009 $'000
(a) **Dividends paid during the year**		
Final dividend for the year ended 30 June, 2009 of 13 cents fully franked at 30% tax rate paid 4 September, 2009 (2009: 16 cents fully franked at 30% tax rate)	75,976	91,419
Interim dividend for the year ended 30 June, 2010 of 12 cents fully franked at 30% tax rate paid 3 March, 2010 (2009: 14 cents fully franked at 30% tax rate)	70,413	81,082
Total dividends paid	**146,389**	**172,501**

The final dividend contained a listed investment company (LIC) capital gain component of 2 cents per share (2009: 3 cents per share).

	2010 $'000	2009 $'000
(b) **Dividends declared after balance date**		
Since the end of the financial year, the Directors have declared the following dividend which has not been recognised as a liability at the end of the financial year:-		
Final dividend for the year ended 30 June, 2010 of 13 cents fully franked at 30% tax rate payable 3 September, 2010 (2009: 13 cents fully franked at 30% tax rate)	**78,850**	**75,976**

The final dividend will contain a listed investment company (LIC) capital gain component of 2 cents per share (2009: 2 cents per share).

19. FRANKING ACCOUNT

	2010 $'000	2009 $'000
Balance of the franking account after allowing for tax receivable and the receipt of franked dividends recognised as receivables	48,103	63,816
Impact on the franking account of the dividend declared but not recognised as a liability at the end of the financial year	(33,793)	(32,561)
	14,310	**31,255**
The franking account balance would allow the Company to frank additional dividend payments up to an amount of	**33,390**	**72,928**

The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from the investment portfolio and the Company itself paying tax.

20. LISTED INVESTMENT COMPANY CAPITAL GAIN ACCOUNT

	2010 $'000	2009 $'000
Balance of the listed investment company (LIC) capital gain account	35,657	47,172
Impact on the LIC capital gain account of the dividend declared but not recognised as a liability at the end of the financial year	(12,131)	(11,689)
	23,526	**35,483**
This equates to an attributable amount of	**33,609**	**50,690**

LIC capital gains available for distribution are dependent upon the disposal of investment portfolio holdings which qualify for LIC capital gains and the receipt of LIC distributions from LIC securities held in the investment portfolio.

21. FINANCIAL REPORTING BY SEGMENTS

The Company operates only in the investment industry within Australia.

The Company is managed as a whole and is considered to have a single operating segment. There is no further division of the Company or internal segment reporting used by the Managing Director, Chief Executive Officer and the Directors when making strategic, investment or resource allocation decisions.

The Company is domiciled in Australia and derives its revenue entirely from an Australian investment portfolio, through the receipt of dividends, distributions, interest and other income. The portfolio is highly diversified, with no single investment accounting for more than 10% of revenue.

The Company's assets are located entirely in Australia or are listed on the Australian Securities Exchange.

There has been no change to the operating segments during the year.

22. COMMITMENTS

	2010 $'000	2009 $'000
Operating leases		
Future operating lease rentals not provided for in the financial statements and payable:-		
Not later than one year	224	214
Later than one year but not later than five years	643	705
Later than five years	98	259
	965	**1,178**

The Company has entered into two property leases, one expiring on 12 December, 2011 and the other expiring on 31 January, 2016. Lease rentals are subject to review during the term of the leases. The lease expiring on 12 December, 2011 provides the Company with a right of renewal at which time all terms are renegotiated.

23. KEY MANAGEMENT PERSONNEL DISCLOSURES

The names of each person holding the position of Director of Argo Investments Limited for the financial year were Mr. C.L. Harris (Chairman), Mr. R.T. Rich (Deputy Chairman), Mr. R.J. Patterson (Managing Director), Mrs. M.S. Darling, Mr. I.R. Johnson and Mr. G.I. Martin.

Persons who were executives with authority for the strategic direction and management of the Company during the financial year were Mr. R.J. Patterson (Managing Director), Mr. J. Beddow (Chief Executive Officer), Mr. B.R. Aird (Chief Operating Officer), Mr. C.C. Hall (Senior Investment Officer) and from 31 March, 2010 Mr. A.B. Hill (Chief Financial Officer).

Shareholdings, performance rights, restricted share rights and transactions
The number of ordinary shares, performance rights and restricted share rights in the Company held directly, indirectly or beneficially during the financial year by key management personnel, including their related parties, are disclosed in the following tables:-

(a) **Shareholdings**

		Opening balance	Changes during the year	Closing balance
Non-executive Directors				
C.L. Harris	**2010**	**121,033**	**2,378**	**123,411**
	2009	117,001	4,032	121,033
R.T. Rich	**2010**	**16,424,375**	**(56,845)**	**16,367,530**
	2009	17,500,756	(1,076,381)	16,424,375
M.S. Darling	**2010**	**53,319**	**4,506**	**57,825**
	2009	49,860	3,459	53,319
I.R. Johnson	**2010**	**13,876**	**2,932**	**16,808**
	2009	12,827	1,049	13,876
G.I. Martin	**2010**	**171,173**	**13,965**	**185,138**
	2009	161,634	9,539	171,173
Executive Director				
R.J. Patterson	**2010**	**906,432**	**3,204**	**909,636**
	2009	906,393	39	906,432
Other Key Management Personnel				
J. Beddow	**2010**	**35,576**	**–**	**35,576**
	2009	35,576	–	35,576
B.R. Aird	**2010**	**476,061**	**(12,611)**	**463,450**
	2009	473,172	2,889	476,061
C.C. Hall	**2010**	**32,263**	**1,846**	**34,109**
	2009	33,623	(1,360)	32,263
A.B. Hill (from 31 March, 2010)	**2010**	**59,929**	**–**	**59,929**

(b) **Performance rights holdings**

		Opening balance	Granted as remuneration	Lapsed	Closing balance
Executive Director					
R.J. Patterson	**2010**	**219,300**	**–**	**(127,800)**	**91,500**
	2009	177,800	41,500	–	219,300
Other Key Management Personnel					
J. Beddow	**2010**	**97,600**	**29,100**	**(56,100)**	**70,600**
	2009	73,600	24,000	–	97,600
B.R. Aird	**2010**	**108,900**	**25,800**	**(62,400)**	**72,300**
	2009	87,400	21,500	–	108,900
C.C. Hall	**2010**	**106,700**	**26,100**	**(68,700)**	**64,100**
	2009	85,200	21,500	–	106,700
A.B. Hill (from 31 March, 2010)	**2010**	**16,500**	**12,000**	**–**	**28,500**

No performance rights were exercised or vested during the financial year nor any prior financial year.

(c) **Restricted share rights holdings**

		Opening balance	Granted as remuneration	Closing balance
Other Key Management Personnel				
J. Beddow	**2010**	**75,000**	**–**	**75,000**
	2009	75,000	–	75,000
C.C. Hall	**2010**	**60,000**	**–**	**60,000**
	2009	60,000	–	60,000

No restricted share rights were exercised or vested during the financial year.

Key Management Personnel Compensation

	2010 $	2009 $
Short-term	2,743,207	2,087,705
Post-employment	201,500	382,676
Other long-term	11,245	7,288
Share based	114,672	388,308
	3,070,624	**2,865,977**

Loans

Key management personnel with loans from the Company above $100,000 in the financial year are as follows:-

		Opening balance $	Interest charged $	Interest not charged $	Closing balance $	Highest balance in period $
Executive Director						
R.J. Patterson	**2010**	**1,254,591**	**–**	**41,929**	**1,102,755**	**1,254,591**
	2009	1,436,794	–	64,111	1,254,591	1,436,794
Other Key Management Personnel						
J. Beddow	**2010**	**103,699**	**–**	**3,603**	**97,197**	**103,699**
	2009	111,502	–	5,120	103,699	111,502
B.R. Aird	**2010**	**784,927**	**–**	**26,578**	**705,173**	**784,927**
	2009	880,663	–	39,660	784,927	880,633
A.B. Hill (from 31 March, 2010)	**2010**	**130,893**	**–**	**1,415**	**130,893**	**130,893**

Interest free loans were issued to the executive Director and key management personnel to assist the purchase of shares pursuant to the Argo Investments Executive Share Plan. The dividends paid on the shares, less an amount equal to the estimated tax payable by the executives on the dividends, are utilised to repay the loan.

No key management personnel had loans with the Company that were less than $100,000 at any time during the financial year.

Other arrangements with non-executive Director

During the year, there were no arrangements with a non-executive Director (2009: Mr. R.T. Rich rented office space from the Company at a commercial rate from 1 July, 2008 to 31 January, 2009 and rental income received by the Company amounted to $11,550).

24. SHARE BASED PAYMENTS

(a) **Employee Share Ownership Plan**

The Directors may at such time or times as determined, issue invitations to eligible employees to apply for shares under the Employee Share Ownership Plan (ESOP) as part of the employees' remuneration. Each eligible employee is offered up to $1,000 per year in shares at market value. The costs of acquiring the shares on market are paid for by the Company. Any shares acquired cannot be disposed of or transferred until the earlier of three years from the acquisition date or on the date the employee ceases employment. The ESOP was approved by shareholders at the 1997 Annual General Meeting.

During the year, 1,672 (2009: 1,846) shares were acquired by the Company on behalf of eligible employees under the ESOP at a cost of $11,021 (2009: $13,049) and had a market value of $9,781 (2009: $10,633) at $5.85 per share (2009: $5.76 per share) at balance date.

(b) **Executive Performance Rights Plan**

The establishment of the Argo Investments Limited Executive Performance Rights Plan ("Plan") was approved by shareholders at the 2004 Annual General Meeting and amended at the 2007 Annual General Meeting. The Plan is designed to provide long-term incentives for participants to deliver long-term returns to shareholders. Under the Plan, participants are granted options which only vest if certain performance and service conditions are met. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the Plan or to receive any guaranteed benefits.

A detailed discussion of the 2004, 2007, 2008 and 2009 performance and service conditions is set out in the Remuneration Report on pages 16 to 19.

Both the performance rights and the restricted share rights are granted under the Plan for no consideration, carry no dividend or voting rights and do not have an exercise price.

When exercisable, each performance right and each restricted share right is convertible into an ordinary Company share, subject to certain adjustments allowable under the Plan.

Set out below are summaries of rights granted under the Plan:-

Performance rights

Grant date	Earliest vesting date	Expiry date	Opening balance	Granted	Lapsed	Closing balance
25/11/2004	25/11/2009	9/12/2009	449,700	–	(449,700)[(2)]	–
29/11/2007	29/11/2010	13/12/2012	135,000	–	–	135,000
19/11/2008	19/11/2011	3/12/2013	164,500	–	–	164,500
22/04/2010	18/11/2013	2/12/2014	–	150,300[(1)]	–	150,300
			749,200	**150,300**	**(449,700)**	**449,800**

(1) The fair value at grant date of the performance rights issued during the year was $5.74 (2009: $4.75) and was independently calculated by estimating the value of dividends that would not have been received during the vesting period and subtracting this amount from the value of the grant date share price. The Monte-Carlo simulation has been used to determine the probabilities of meeting the performance conditions and the expected level of vesting under each performance condition. The following inputs were used to calculate the fair value of the performance rights issued:-

(a) Share price at valuation date 22 April, 2010 – $6.50 (2009: 19 November, 2008 – $5.35).

(b) Dividend yield based on historic and future yield estimates – 3.50% (2009: 3.95%).

(2) 2004 performance rights lapsed because the vesting performance condition was not satisfied.

(3) Performance rights recovery of $127,572 (2009: expense of $226,482) was recognised in the administration expense in the Income Statement.

(4) The weighted average remaining life of the performance rights outstanding at the end of the year was 3.5 years (2009: 1.9 years).

No performance rights were vested or exercised during the year.

Restricted share rights

Grant date	Earliest vesting date	Expiry date	Opening balance	Granted	Lapsed	Closing balance
29/11/2007	29/11/2010	13/12/2010	55,000	–	–	55,000
29/11/2007	29/11/2011	13/12/2011	55,000	–	–	55,000
29/11/2007	29/11/2012	13/12/2012	55,000	–	–	55,000
			165,000	**–**	**–**	**165,000**

(1) Restricted share rights expense of $264,524 (2009: $264,524) was recognised as an administration expense in the Income Statement.

(2) The weighted average remaining life of the restricted share rights outstanding at the end of the year was 1.5 years (2009: 2.5 years).

No restricted share rights were vested, exercised or lapsed during the year.

25. AUDITOR'S REMUNERATION

	2010 $	2009 $
During the year the Auditor earned remuneration for auditing the financial statements	**93,280**	**88,000**

No remuneration was paid to the Auditor for any non-audit services.

26. FINANCIAL RISK MANAGEMENT

The risks associated with the holding of financial instruments such as investments, cash and cash equivalents, other financial assets, receivables and payables include credit risk, liquidity risk and market risk.

Credit Risk

The risk that a financial loss will occur because a counterparty to a financial instrument fails to discharge an obligation is known as credit risk.

In relation to cash and cash equivalents and other financial assets disclosed in notes 6(a) and 9, the credit risk exposure of bank deposits is the carrying amount and any interest accrued.

The Company's cash investments are managed internally under Board approved guidelines. Funds are invested for the short to medium term with the major Australian banks which have a Standard & Poor's short-term rating of A1+. The maturities of bank term deposits in cash and cash equivalents are within three months while bank term deposits in other financial assets mature from three to six months.

The credit risk exposure for the Company's receivables as disclosed in note 7 is the carrying amount.

Credit risk exposure also arises in relation to option positions held by the Company. The extent of this exposure is reflected in the carrying value and no exchange traded option positions were held at balance date (2009: nil).

None of the assets exposed to credit risk are overdue or considered to be impaired.

Liquidity Risk
Liquidity risk is the risk that the Company is unable to meet its financial obligations as they fall due.

The Company has no borrowings and monitors its cash flow requirements daily which includes the amount required for purchases of securities, the amount receivable from sales of securities, and dividends and distributions to be paid or received.

The Company's inward cash flows depend mainly upon the amount of dividends and distributions received from the investment portfolio as well as the proceeds from the sale or takeover of investments. Should these inflows drop by a material amount, the Company would amend its outward cash flows accordingly. As the Company's major cash outflows are purchases of investments and dividends paid to shareholders, the level of both is controllable by the Board and management.

The assets of the Company are largely in the form of tradeable securities which, if necessary, could be sold on market to meet obligations.

The Company has a financing arrangement in place which is disclosed in note 6(c). The line of credit facility was undrawn at 30 June, 2010 (2009: nil).

Current financial liabilities are disclosed in note 11.

Market Risk
Market risk is the risk that changes in market prices will affect the fair value of financial instruments.

The Company is a listed investment company that invests in tradeable securities. Due to the nature of its business, the Company will always be subject to market risk as it invests its capital in securities which have fluctuating market prices.

A general fall in the fair value of long-term investments of 5% and 10%, if equally spread over all assets in the long-term investment portfolio, would lead to a reduction in the Company's equity of $150.2 million (2009: $139.2 million) and $300.4 million (2009: $278.4 million) respectively, after tax. The investment revaluation reserve at 30 June, 2010 has an after tax balance of $680.2 million (2009: $485.8 million). It would require a 23% (2009: 17%) after tax fall in the value of the investment portfolio to fully deplete this reserve.

The Company seeks to reduce the market risk of the long-term investment portfolio by ensuring that it is not, in the opinion of the Board, overly exposed to one company or one particular sector of the market. The relative weightings of the individual securities and market sectors are reviewed and risk is appropriately managed. The Company does not have set parameters as to a minimum or maximum amount of the investment portfolio that can be invested in a single company or sector.

The Company's assets are spread across investment industry sectors as below:-

	2010	**2009**
Energy	6%	7%
Materials	18%	18%
Industrials	8%	8%
Consumer Discretionary	6%	6%
Consumer Staples	9%	9%
Health Care	3%	3%
Banks	15%	15%
Cash Assets	6%	3%
Other Financials	22%	24%
Telecommunication Services & I.T.	5%	5%
Utilities	2%	2%
	100%	**100%**

The following investments represent over 5% of the total assets:-

	2010	**2009**
BHP Billiton Ltd.	7.5%	7.8%
Westpac Banking Corporation	5.2%	5.6%

The Company has no current investments at balance date (2009: $1,621,000) and the Board continues its policy of not having a substantial trading portfolio. It is considered that the market risk to the Company's trading portfolio is immaterial.

The fair value of the Company's derivative financial instruments, being exchange traded options, are subject to market risk as changes in market price will affect the fair value of the financial instrument. The Company seeks to reduce the market risk of these derivatives by imposing

Board approved maximum exposure limits for each security and in total. The total exposure position is determined and monitored on a daily basis. At 30 June, 2010, the Company did not hold any exchange traded options (2009: nil). Investments with a market value of $27,625,000 (2009: $20,340,000) were lodged with the ASX Clearing Corporation as collateral for any option positions written by the Company in the Exchange Traded Option Market.

The Company is not materially exposed to interest rate risk as all of its cash investments and bank term deposits mature in the short-term and have a fixed interest rate.

The Company is also not directly exposed to currency risk as all its investments are quoted in Australian dollars.

27. EFFECT OF ADOPTING AASB 9 *FINANCIAL INSTRUMENTS*

The impact on comparative profit, other comprehensive income, earnings per share and shareholders' equity resulting from the adoption of AASB 9 is summarised below:-

(a) **Profit for the year, other comprehensive income and earnings per share**
Profit, other comprehensive income, and basic and diluted earnings per share including net realised gains/(losses) on sale of long-term investments for the year ended 30 June, 2009 have been restated to reflect the effect of reversing the effects of the impairment provisions of AASB 139, but only for those long-term investments that had not been disposed of prior to 7 December, 2009.

The results of these changes for the year ended 30 June, 2009 are that the net unrealised impairment revaluation charge is reduced from $205,606,000 to $13,759,000, thus restating the loss of $64,416,000 to a profit of $127,431,000; increasing other comprehensive income from a loss of $367,104,000 to a loss of $558,951,000; and adjusting basic and diluted earnings per share including net realised gains/(losses) on sale of long-term investments from (11.1 cents) to 22.0 cents.

These changes do not affect the balance of total comprehensive income nor the basic and diluted earnings per share excluding net realised gains/(losses) on sale of long-term investments for the year ended 30 June, 2009.

(b) **Shareholders' Equity**
The retrospective adoption of AASB 9 as at 7 December, 2009 results in the reversal of $191,847,000, net of tax, being most of the unrealised impairment revaluation charge reflected in the accounts for the year ended 30 June, 2009, with the remainder of the unrealised impairment revaluation charge of $13,759,000, net of tax, being transferred to capital profits reserve as a result of the sale of impaired long-term investments in the period to 7 December, 2009.

The restatement of reserves is summarised below and all movements in reserves are reflected in note 15. Opening balances at 1 July, 2008 were not changed as a result of the adoption of AASB 9 and therefore not required to be restated.

Restatement of Shareholders' Equity on adoption of AASB 9

	Balance as previously reported 30 June, 2009 $'000	Reversal of impairment charge $'000	Restated balance 30 June, 2009 $'000
Contributed Equity	1,943,944	–	1,943,944
Executive Performance Rights Reserve	1,061	–	1,061
Investment Revaluation Reserve	677,667	(191,847)	485,820
Impairment Revaluation Charge Reserve	(205,606)	191,847	(13,759)
Capital Profits Reserve	271,871	–	271,871
Retained Profits	205,618	–	205,618
	2,894,555	**–**	**2,894,555**

28. LONG-TERM INVESTMENTS

The following long-term investments are disclosed in accordance with note 1(a).

	2010 $'000	2009 $'000
Aberdeen Leaders Ltd.	12,688	13,014
Adelaide Brighton Ltd	10,538	8,847
Aevum Ltd.	2,543	1,665
AGL Energy Ltd.	36,071	33,003
ALE Property Group	2,539	1,342
Alesco Corporation Ltd.	6,059	8,885
Alumina Ltd.	16,449	15,586
Amalgamated Holdings Ltd.	5,567	3,235
Amcor Ltd.	29,442	24,662
AMP Ltd.	37,152	34,799
Ansell Ltd.	8,740	5,838
APA Group	14,760	11,275
A.P. Eagers Ltd.	10,582	6,874
APN News & Media Ltd.	7,567	5,622
Aristocrat Leisure Ltd.	8,202	8,493
Asciano Group	12,857	7,258

	2010 $'000	2009 $'000
ASX Ltd.	7,115	9,026
Australia and New Zealand Banking Group Ltd.	105,679	79,898
Australian Infrastructure Fund	5,416	4,301
Australian United Investment Company Ltd.	118,349	104,029
Automotive Holdings Group Ltd.	5,937	3,773
AXA Asia Pacific Holdings Ltd.	33,291	23,675
Babcock & Brown Infrastructure Group	–	385
Bank of Queensland Ltd.	5,341	4,632
Bank of Queensland Ltd. reset preference	750	750
BBI EPS Ltd. exch. preference	–	341
BHP Billiton Ltd.	266,088	245,381
Billabong International Ltd.	10,318	10,330
BKI Investment Company Ltd.	9,516	8,727
Boom Logistics Ltd.	1,733	765
Boral Ltd.	13,818	11,668
Brambles Ltd.	23,216	25,343
Brickworks Ltd.	6,871	7,631
Cadbury Plc	–	2,613
Campbell Brothers Ltd.	20,786	12,232
Centennial Coal Company Ltd.	6,727	4,769
Choiseul Investments Ltd.	7,974	7,759
Coca-Cola Amatil Ltd.	14,591	10,504
Cochlear Ltd.	9,513	7,386
Coffey International Ltd.	3,494	6,926
Colorpak Ltd.	1,863	1,599
Commonwealth Bank of Australia	114,202	85,734
Commonwealth Property Office Fund	2,412	2,153
Computershare Ltd.	46,696	39,699
Consolidated Media Holdings Ltd.	4,923	3,514
Corporate Express Australia Ltd.	2,047	1,343
Coventry Group Ltd	1,370	674
Crane Group Ltd.	5,347	6,741
Crown Ltd.	12,030	11,255
CSL Ltd.	28,499	26,837
CSR Ltd.	6,801	5,857
David Jones Ltd.	14,769	15,592
Dexion Ltd.	3,003	1,166

	2010 $'000	2009 $'000
DEXUS Property Group	3,093	1,708
Diversified United Investment Ltd.	42,684	38,645
Downer EDI Ltd.	5,601	4,297
DUET Group	8,989	5,849
Envestra Ltd.	2,858	2,690
Fairfax Media Ltd.	20,750	19,251
FKP Property Group	4,887	3,737
Fleetwood Corporation Ltd.	13,716	8,806
Foster's Group Ltd.	42,091	38,366
Global Mining Investments Ltd.	4,763	4,196
Goodman Fielder Ltd.	3,833	3,719
GPT Group	5,496	4,792
G.U.D. Holdings Ltd.	12,067	8,474
GWA International Ltd.	3,140	2,399
Harvey Norman Holdings Ltd.	13,339	13,299
Hastings Diversified Utilities Fund	3,055	1,353
Hills Industries Ltd.	9,048	6,608
IAG Finance (New Zealand) Ltd. reset exch. securities	2,500	1,869
Iluka Resources Ltd.	7,440	4,865
Incitec Pivot Ltd.	10,635	9,271
Insurance Australia Group Ltd.	21,494	22,125
Insurance Australia Group Ltd. reset conv. preference	3,035	3,095
Intoll Group	7,667	–
InvoCare Ltd.	7,129	6,823
IRESS Market Technology Ltd.	6,881	5,741
James Hardie Industries SE	9,211	9,110
Leighton Holdings Ltd.	16,894	13,714
Lend Lease Group	25,194	17,860
Lex Property Fund	3,000	3,000
Lex Retail Property Trust	2,200	2,200
MAp Group	25,632	20,177
Macquarie Group Ltd.	132,792	139,875
Macquarie Group Ltd. income securities	1,050	1,013
Macquarie Infrastructure Group	–	10,543
Mermaid Marine Australia Ltd.	14,097	10,340
Metcash Ltd.	6,553	6,741
Miclyn Express Offshore Ltd.	2,460	–
Milton Corporation Ltd.	124,012	112,694

	2010 $'000	2009 $'000
Mirvac Group	3,894	1,810
Mount Gibson Iron Ltd.	8,112	4,710
National Australia Bank Ltd.	115,988	106,756
National Australia Bank Ltd. income securities	1,938	1,868
Navitas Ltd.	10,461	6,128
News Corporation class A	12,711	10,213
News Corporation class B	16,495	13,103
Nomad Building Solutions Ltd.	–	746
Norfolk Group Ltd.	1,721	1,028
Oakton Ltd.	4,477	3,992
Oceania Capital Partners Ltd.	1,253	1,760
OneSteel Ltd.	17,222	14,910
Orica Ltd.	52,030	44,845
Origin Energy Ltd.	80,753	79,131
OZ Minerals Ltd.	6,061	5,808
PaperlinX Ltd.	1,513	1,037
Peet Ltd.	4,636	3,494
Perpetual Ltd.	9,916	10,018
Premier Investments Ltd.	7,625	6,900
Primary Health Care Ltd.	10,053	12,594
Programmed Maintenance Services Ltd.	4,091	3,719
Qantas Airways Ltd.	7,622	6,964
QBE Insurance Group Ltd.	59,443	61,413
Ramsay Health Care Ltd.	19,016	14,157
Ramsay Health Care Ltd. reset conv. preference	2,375	2,288
Reece Australia Ltd.	14,109	10,494
Rio Tinto Ltd.	159,553	124,943
Salmat Ltd.	5,843	5,231
Santos Ltd.	42,210	49,044
Santos Ltd. reset conv. preference	–	2,005
Sigma Pharmaceuticals Ltd.	1,680	8,723
Sims Metal Management Ltd.	7,114	11,022
Sonic Healthcare Ltd.	20,594	21,862
Southern Cross Media Group Ltd.	5,528	2,218
Spark Infrastructure Group	3,149	1,978
Stockland	4,713	4,067
Straits Resources Ltd.	4,061	6,566
Structural Systems Ltd.	941	1,353

	2010 $'000	2009 $'000
Suncorp-Metway Ltd.	26,604	21,610
Suncorp-Metway Ltd. reset conv. preference	3,174	3,136
Tabcorp Holdings Ltd.	13,988	13,853
Talent2 International Ltd.	–	1,024
TAPS Trust reset preferred	–	463
Tatts Group Ltd.	4,598	3,924
Technology One Ltd.	3,290	3,394
Telstra Corporation Ltd.	104,016	106,123
Toll Holdings Ltd.	13,091	14,930
Transfield Services Ltd.	11,316	8,332
Transfield Services Infrastructure Fund	1,328	1,455
Transurban Group	14,040	11,787
United Group Ltd.	20,030	15,300
Washington H. Soul Pattinson and Company Ltd.	19,861	16,474
WDS Ltd.	609	2,250
Wesfarmers Ltd.	120,771	95,478
Wesfarmers Ltd. partially protected	11,286	9,213
West Australian Newspapers Holdings Ltd.	6,799	4,532
Westfield Group	49,577	46,320
Westpac Banking Corporation	183,573	175,099
Westpac Office Trust instalment receipts	2,185	1,882
Whitehaven Coal Ltd.	9,600	6,576
Woodside Petroleum Ltd.	65,641	60,842
Woolworths Ltd.	107,701	101,196
WorleyParsons Ltd.	9,380	8,865
	3,302,886	2,957,607
Long-term investments sold prior to 7 December, 2009	–	38,834
Total long-term investments	**3,302,886**	**2,996,441**

Directors' Declaration

In the opinion of the Directors of Argo Investments Limited ("the Company"):-

(a) the financial statements and notes set out on pages 35 to 71 are in accordance with the Corporations Act 2001 including:-

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Company's financial position as at 30 June, 2010 and of the Company's performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June, 2010.

Dated at Adelaide this 19th day of August, 2010

Signed in accordance with a resolution of the Directors

C.L. Harris
Chairman

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

91 King William Street
ADELAIDE SA 5000
GPO Box 418
ADELAIDE SA 5001
DX 77 Adelaide
Australia
Telephone +61 8 8218 7000
Facsimile +61 8 8218 7999
www.pwc.com/au

Independent auditor's report to the members of Argo Investments Limited

Report on the financial report

We have audited the accompanying financial report of Argo Investments Limited (the company), which comprises the statement of financial position as at 30 June 2010, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Argo Investments Limited.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Liability limited by a scheme approved under Professional Standards Legislation

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion
In our opinion:

(a) the financial report of Argo Investments Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the company's financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the remuneration report
We have audited the remuneration report included in pages 13 to 27 in the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion
In our opinion, the remuneration report of Argo Investments Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

DR Clark

DR Clark
Partner

Adelaide
19 August 2010

Liability limited by a scheme approved under Professional Standards Legislation

Shareholding details

as at 17 August, 2010

	Ordinary shareholders
Total number of shareholders (entitled to one vote per share)	**68,054**
Number of shareholders holding:-	
1 – 1,000 shares	15,760
1,001 – 5,000 shares	25,963
5,001 – 10,000 shares	12,256
10,001 – 100,000 shares	13,601
100,001 or more shares	474
	68,054
Number of shareholders holding less than a marketable parcel	1,648

20 largest shareholders of ordinary shares

Name	No. of shares	% of issued capital
RCY Pty. Limited	6,166,887	1.02
JIT Pty. Limited	4,925,972	0.81
RBC Dexia Investor Services Australia Nominees Pty. Limited (MLCI a/c)	3,412,064	0.56
Questor Financial Services Limited (TPS RF a/c)	2,990,177	0.49
TRIGT Pty. Limited	2,852,478	0.47
Ramea Holdings Pty. Limited	2,475,126	0.41
McLennan Holdings Pty. Ltd.	2,115,616	0.35
Bougainville Copper Limited	1,937,571	0.32
Donald Cant Pty. Ltd.	1,734,114	0.29
Kalymna Pty. Ltd.	1,620,737	0.27
Poplar Pty. Limited	1,380,723	0.23
Jacaranda Pastoral Pty. Ltd.	1,363,718	0.22
Salur Holdings Pty. Limited	1,309,193	0.22
Tyrrell (1984) Nominees Pty. Limited (Tyrrell Family a/c)	1,306,272	0.22
UBS Wealth Management Australia Nominees Pty. Ltd.	1,260,466	0.21
Mr. Stuart John McWilliam	1,193,000	0.20
Questor Financial Services Limited (TPS PIP a/c)	1,070,710	0.18
Ling Nominees Pty. Ltd.	1,066,366	0.18
Trustees of the Redemptorist Fathers	1,027,000	0.17
JIN Pty. Limited	969,275	0.16
	42,177,465	**6.98**

The Company has an on-market buy-back arrangement in place but it was not activated during the year.

Securities issued

since 19 September, 1985

Date	Details
10 January, 1986	1:5 bonus issue from Capital Profits Reserve
16 May, 1986	1:10 bonus issue from Share Premium Reserve
20 March, 1987	1:8 rights issue @ $2.50 per share
23 March, 1987	1:9 bonus issue from Capital Profits Reserve
22 May, 1987	1:5 bonus issue from Capital Profits Reserve
16 December, 1988	1:8 rights issue @ $2.40 per share
19 December, 1988	1:6 bonus issue from Share Premium Reserve
27 April, 1990	1:10 bonus issue from Share Premium Reserve
12 March, 1992	1:8 rights issue @ $2.00 per share
10 October, 1995	1:10 bonus issue from Share Premium Reserve
21 June, 1996	Share Purchase Plan @ $2.57 per share
19 July, 1996	1:10 bonus issue from Share Premium Reserve
20 June, 1997	Share Purchase Plan @ $2.65 per share
27 November, 1997	1:10 rights issue @ $2.50 per share
19 June, 1998	Share Purchase Plan @ $3.19 per share
23 June, 1999	Share Purchase Plan @ $3.48 per share
15 November, 1999	Dividend Reinvestment Plan @ $3.32 per share
19 May, 2000	Dividend Reinvestment Plan @ $3.08 per share
23 June, 2000	Share Purchase Plan @ $3.08 per share
28 March, 2001	Dividend Reinvestment Plan @ $3.43 per share
27 June, 2001	Dividend Reinvestment Plan @ $3.74 per share
12 September, 2001	Dividend Reinvestment Plan @ $3.92 per share
12 October, 2001	Share Purchase Plan @ $3.92 per share
15 March, 2002	Dividend Reinvestment Plan @ $4.27 per share
18 April, 2002	1:10 rights issue @ $3.95 per share
13 September, 2002	Dividend Reinvestment Plan @ $4.35 per share
15 October, 2002	Share Purchase Plan @ $4.35 per share
14 March, 2003	Dividend Reinvestment Plan @ $4.00 per share
16 April, 2003	Share Purchase Plan @ $4.00 per share
12 September, 2003	Dividend Reinvestment Plan @ $4.78 per share
20 October, 2003	Share Purchase Plan @ $4.78 per share
12 March, 2004	Dividend Reinvestment Plan @ $4.76 per share
16 April, 2004	1:10 rights issue @ $4.40 per share with the possibility of additional shares
8 September, 2004	Dividend Reinvestment Plan @ $4.75 per share
18 October, 2004	Share Purchase Plan @ $4.75 per share
11 March, 2005	Dividend Reinvestment Plan @ $5.43 per share
18 April, 2005	Share Purchase Plan @ $5.43 per share

Securities issued
since 19 September, 1985

Date	Details
8 September, 2005	Dividend Reinvestment Plan @ $5.79 per share
19 October, 2005	Share Purchase Plan @ $5.79 per share
10 March, 2006	Dividend Reinvestment Plan @ $6.71 per share
20 April, 2006	Share Purchase Plan @ $6.71 per share
8 September, 2006	Dividend Reinvestment Plan @ $6.95 per share
17 October, 2006	Share Purchase Plan @ $6.95 per share
9 March, 2007	Dividend Reinvestment Plan @ $7.92 per share
27 March, 2007	1:8 rights issue @ $7.20 per share with the possibility of additional shares
5 September, 2007	Dividend Reinvestment Plan @ $7.62 per share
9 October, 2007	Share Purchase Plan @ $7.62 per share
4 March, 2008	Dividend Reinvestment Plan @ $7.39 per share
8 April, 2008	Share Purchase Plan @ $7.39 per share
5 September, 2008	Dividend Reinvestment Plan @ $6.69 per share
10 October, 2008	Share Purchase Plan @ $6.69 per share
4 March, 2009	Dividend Reinvestment Plan @ $5.12 per share
6 April, 2009	Share Purchase Plan @ $5.12 per share
4 September, 2009	Dividend Reinvestment Plan @ $6.34 per share
3 March, 2010	Dividend Reinvestment Plan @ $6.31 per share
14 April, 2010	Share Purchase Plan @ $6.31 per share